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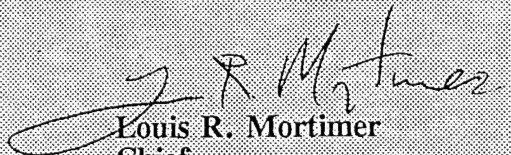
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PREFACE

This survey is a selective compilation of information on Chinese political, economic, and military reforms as reported between 1 January and 31 December 1985. This study is based on a variety of open sources, including Chinese, US, and other foreign newspapers, periodicals, wire services, books, and journals.

Entries are categorized chronologically under the objectives of economic reforms, government reforms, military reforms, and party structure reforms. Subobjectives for agriculture, bureaucracy, decentralization, economic structure, factions, industry, law, leadership, management, military exchanges, ministries, modernization, price reform, professionalization, reorganization, research, science and technology, special economic zones, tax, and urban reforms are also considered.

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SUMMARY

The Chinese political, economic, and military reforms begun with the 3rd Plenary Session of the 11th Central Committee of the Chinese Communist Party (CCP) in December 1978 continued during 1985. The responsibility system which allows farmers to choose what they will produce and to sell at a floating market price resulted in an increase of over 15 percent in the output of meat and vegetables in 1985, with food supplies plentiful in rural areas as well as urban markets. The township enterprises, a new addition in the rural economy, have been developed at a rapid pace without reliance on state aid. The success of rural reform led to the initiation of urban reform in October 1984.

The Chinese leadership has modified the economic structure to allow for public ownership with collective management and a greater role for the market economy. Price reform and wage reform were introduced, requiring enterprises to take responsibility for profits and losses. Chinese industrial output value showed a rapid growth, especially in consumer goods such as color televisions and refrigerators. However, when this growth reached 23 percent in the first half of 1985, it was necessary to apply more stringent controls. With these tightened controls, a more reasonable growth of 8 percent was recorded in December 1985.

Shenzhen, Zhuhai, Shantou and Xiamen, the special economic zones (SEZs) established in 1980, continued to develop. Shenzhen, the fastest growing SEZ, received more than US\$787 million in foreign investment and established economic and technical cooperation with more than 50 countries in 1985. Nevertheless, the SEZs were criticized for an insufficient volume of exports and excessive use of foreign exchange, leading the Chinese Government to make some revisions in the SEZ policy, such as increasing exchange-control restrictions and temporarily suspending the opening of 10 out of 14 coastal cities. With economic reform as its first priority, the Chinese leadership proposed the Seventh 5-Year Plan (1986-90), consisting of important economic reform policies, such as price reform and encouragement of foreign investment and joint ventures, with a target of doubling the production level by 1990.

A major rejuvenation of the Chinese Communist Party and the Government took place in 1985, with the appointment of 91 new members to the CCP Central Committee, 11 new ministers, 10 new provincial governors, and a new mayor of Shanghai. Deng's supporters have now become a majority at all levels of the Chinese Government, the Chinese Communist Party, and the People's Liberation Army. The "second echelon" of Deng Xiaoping's chosen successors and the "third echelon" of younger, better-educated, and more professionally competent reformers are expected to work hand-in-hand to implement China's reform policies for the next 15 years and more.

In June 1985, China announced that the People's Liberation Army intends to demobilize 1 million troops over a 2-year period in order to reduce its military budget. China's military regions have been reorganized and reduced from 11 to 7. Militia and reserve training has increased, so that they can be better mobilized in time of war. Chinese colleges and middle schools have established courses on military training in 1985 to prepare the future soldiers and officers, and a new National Defense University was inaugurated

in order to provide modern military training in strategy, military science, and technology for PLA officers to command a combined arms war. Weapons improvement emphasized domestic research and development, with foreign purchases limited to highly advanced technology. Although China's defense spending is reduced, the PLA has improved its effectiveness and capabilities to fight a modern war by demobilizing troops, improving weaponry, and modernizing training in combined warfare.

1. SURVEY OF CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

a. Introduction

In December 1978, China's paramount leader Deng Xiaoping initiated the reform program. Since that time the reforms have developed and broadened in scope to encompass the entire Chinese society. In 1985, the rural reforms continued, with the responsibility system giving individual peasant households greater freedom to decide what crops to grow and with increased development of township enterprises. Based on the success of the rural reform, the first steps were taken to reform the urban economy. Price and wage reforms were introduced and the emphasis was further shifted from rigid central control to collective management at a lower level. Significant progress was made in reorganizing and streamlining the Armed Forces and younger, more technically competent leaders were brought into the party, the government, and the Armed Forces.

Although the reform policy was generally successful in 1985, problems still existed. The economy grew at an excessive rate, causing rapid expansion of industrial production and excessive use of foreign exchange in special economic zones. Therefore, the Chinese Government acted promptly to tighten controls. As a result, the growth rate was reduced to 8 percent in December 1985.

The proposed Seventh Five-Year Plan (1986-90) calls for a continuation of the present reform policies, while reducing the annual rate of economic growth to 7 percent.

b. Economic Reforms

(1) Rural Reforms

China's rural reform began in 1979 with the introduction of the responsibility system, which integrated households with collective management. Under this economic system, the Chinese Government gave the peasants more decisionmaking power and allowed farmers the freedom to choose what to produce according to their special capabilities and situations. As a result, agricultural output increased between 1980 and 1985 at an average annual rate of 9.2 percent, more than double the 4.0 percent planned for in the Sixth (1980-1985) Five-Year Plan.

In 1985, farmers were allowed to sell their products at market prices after fulfilling their contracts with the state. Although the state continues to give special attention to grain production in order to insure a sufficient supply, the state monopoly in grain purchase has been discontinued. Instead grain is purchased under contracts with peasants or in the market, with state subsidies rationed to urban residents, nongrain producing farmers, and farmers hit by natural disaster. China's cash crop acreage expanded during 1985 by more than 3.3 million hectares, while the grain crop acreage was reduced by 4.7 million hectares. The output of pork, beef, and mutton increased more than 15 percent over 1984 and freshwater fish output increased by 20 percent.¹ The prices of meat, eggs, and vegetables were allowed to seek their own level on the market, and more flexible forms of marketing and

purchasing were introduced. As a result, the food supply appears to be more than sufficient in rural and urban areas.

The township enterprises became an important pillar in the rural economy in 1985, with more than 60 million rural residents employed by the building and service trades in the cities and towns. Although the township enterprises are still developing, they have already become the most active force in the nonstate-supported Chinese economy, helping to raise the per-capita annual income of rural residents to 400 yuan from 355 yuan in 1984.* Successes in agricultural reform since 1979 have stimulated China's economy, causing it to become one of the fastest-growing economies in Asia and making the goal of quadrupling economic output by 2000 appear attainable.²

(2) Urban Reforms

In October 1984, after the 3rd Plenary Session of the 12th Central Committee of the Chinese Communist Party (CCP), China decided to implement urban reform. The Chinese leadership has indicated that China is to modify its economic structure to be a "socialist economy with Chinese characteristics." The new economic structure calls for a planned commodity economy with public ownership and centralized policy decisions by the state and independent responsibilities for profits and losses by the enterprises. In 1985, more than 40,000 state-owned enterprises turned to collective management. As a result, industrial output value, tax payments, profits and financial revenue rose at an average rate of more than 10 percent, and total industrial output value reached US\$268.9 billion, an increase of 17 percent over 1984. Production of consumer goods, such as color televisions and refrigerators, showed some of the most impressive gains, and nearly 8 percent more new homes were built in 1985 than in 1984.³ In heavy industry, steel output increased by 6.9 percent from 1984, coal output rose by 11.6 percent and crude oil output increased by 10.4 percent.⁴ Although a balance between heavy and light industry has been achieved, steel remains in short supply.

The first steps were taken to implement wage and price reforms in 1985, with wages paid according to responsibilities instead of the old system of the "iron rice bowl" in which everyone receives an equal salary. Prices of some products were allowed to float within a certain range, based on changes in supply and demand, while the state continued to use subsidies when necessary to protect purchasing power and living standards.

In 1985, China experienced one of the best periods of economic growth since 1949. Nevertheless, this rapid economic growth brought with it such problems as an excessive rate of growth for industrial production, excessive investment in fixed assets, over-expansion of credit and consumption funds, sharp increases in some commodity prices, a drop in the state foreign currency reserves, and some illegal money-making schemes. Faced with these problems, the CCP Central Committee and the State Council acted promptly to tighten the control of the excessive investment and consumption. As a result, the industrial output rose only 8 percent in December 1985, compared to 23 percent in the first half of 1985. The proposed Seventh Five-Year Plan (1986-90) recommends a slow-down in the first 2 years, 1986-87, to limit the

*The present exchange rate is US\$1 = 3.05 RMB.

growth rate to 7 percent with a certain acceleration after that. Emphasis will be placed on energy production and power generation and improvements in the infrastructure, especially in ports, railways, and telecommunications.

(3) Special Economic Zones and the Open-Door Policy

In April 1979, Deng Xiaoping announced that China would begin experimenting with the establishment of special economic zones (SEZs). Later that year the State Council and the CCP Central Committee established Zhuhai as China's first "special district" and in 1980, Shenzhen, Zhuhai, Shantou, and Xiamen were established as Special Economic Zones.⁵ In January 1984, Deng Xiaoping made an inspection tour of the Shenzhen SEZ. Following this tour, the Chinese Government announced that 14 coastal cities would be opened as economic and technical development zones for the modernization of Chinese science and technology.

The SEZs were expected to attract substantial foreign investment and pay for themselves. The Chinese planned for the foreign investors to find their own markets abroad to generate the hard currency for profits and recover the foreign exchange spent on capital costs. However, in late 1984, large expenditures for consumer imports caused currency reserves to slump and the People's Bank demanded sharp cuts in foreign spending and increased exchange control restrictions in 1985. This change was a serious blow to the four SEZs. The SEZ policies also were criticized for "allowing capitalism to return by the back door;" granting concessions to foreign enterprises which were not enjoyed by other Chinese companies; not exporting enough goods; and using excessive foreign exchange.⁶ Deng Xiaoping, the designer of the SEZ policy, said in June 1985 that the SEZs were still an experiment, subject to revision and amendment, and in July, the Chinese government revised the policy on opening 14 coastal cities, temporarily suspending 10 of them. The four which remained with minimal restrictions were Shanghai, Tianjin, Dalian and Guangzhou.

Despite these setbacks, the SEZs continued to develop in 1985. Shenzhen, the fastest-growing SEZ, signed 801 contracts with foreign businessmen on various economic projects and received more than US\$787 million in foreign investment, more than a 93.8 percent increase over the same period in 1984. Shenzhen has now established economic and technological cooperation with more than 50 countries, including the United States, Japan, the United Kingdom, Italy, Sweden, the Federal Republic of Germany and Australia.⁷

In a meeting, held from 20 December 1985 to 5 January 1986, attended by Chinese government officials and the heads of the four SEZs, a blueprint for the development of SEZs during the Seventh Five-year Plan was completed. The plan calls for the SEZs to become more export-oriented. Gu Mu, the top Chinese official in charge of China's special economic zones, stated that Shenzhen is doing very well to be able to export 43 percent of its industrial output in 1985, and it is hoped that by the end of the current Seventh Five-Year Plan, Shenzhen's industrial exports will account for 60 percent of its total industrial output.⁸ With some modification, the special economic zones can be expected to continue to import foreign science and technology and increase Chinese export revenues.

(4) Proposed Seventh Five-Year Plan

The proposed Seventh Five-Year Plan for 1986-90, which will be presented to the 4th Session of the 6th National People's Congress for approval in 1987, gives first priority to reform. Zhao Ziyang has stated that a "sound economic and social environment for the smooth progress of structural reform is the most important task" of the Seventh Five-Year Plan.

In May 1985, when price controls on meat and vegetable prices were first lifted, the retail price index rose by 9.3 percent. In big cities, prices rose at a much higher rate. For example, in Beijing, the price of meat increased by 30 percent and vegetable prices soared as well. The free market also opened the door to illegal money-making schemes. Many stores mix fat into lean meat and sell the combination at 100 percent lean pork prices. These problems have stirred much discontent. Nevertheless, most Chinese people are in favor of the reform for its overall increases in food supplies in markets. Although the prices of meat and vegetable have gone up, other essentials, such as grain, edible oils, cloth and most consumer goods remain stable. A large portion of the increased food bill has been offset by wage increases and price subsidies for city residents. In rural areas, the farmers' income is expected to rise because of the price reform. The Chinese government is prepared to take control of the price index in order to keep price increases at a pace lower than the increases in family income.⁹

The Plan calls price reform the "key" to economic reform. It states that except for a few major commodities the prices of which will continue to be determined by the state, price control should be gradually relaxed on everyday consumer goods. With the implementation of price reform, the difference between planned and market prices would diminish gradually. The first steps in implementing price reform were taken in 1985. Uniform price controls on meat, poultry, eggs and fish had been lifted by 1 June in 35 major cities, allowing prices to fluctuate according to supply and demand. At the same time, city residents were issued monthly subsidies to offset possible price hikes.

The proposed Seventh Five-Year Plan also specifies that the economic reform should gradually shift from tight state controls to "guidance planning," in which the state sets general guidelines but makes individual units responsible for managing enterprises. It calls for a restrained annual growth rate of 7 percent. In general, targeted production levels for 1990 will be double those of 1980, and, by 2000, production will have quadrupled over 1980. The Plan also strongly advocates the opening to the outside world, increasing foreign trade, and earning more foreign exchange. It reaffirms the role of special economic zones and importing foreign science and technology.

Strong support for the proposed Seventh Five-Year Plan indicates that the reformers are politically firm and augurs well for Deng's reform programs continuing into the 1990s. The economic policies will be implemented flexibly, with adjustments made for any setbacks.

c. China's New Leaders

(1) The Leadership Changes

China's paramount leader Deng Xiaoping has designed an extensive plan for the selection of his successors which has led to a major shake-up of the party and government. By September of 1985, 10 provinces had new governors and 15 had new party secretaries; in mid-June, 9 new ministers were appointed; and in September, another 4 new ministers were appointed. On 22 September 1985, the CCP named 91 new members to the Central Committee, bringing it to 210 members and 133 alternates. With the changes, the average age of the senior leadership in Chinese government dropped from 57 to 53, and the average age of the top military officers was reduced from 64.9 to 56.7.¹⁰ Deng's supporters constitute a majority at all levels of the Chinese government as well as in the CCP and the People's Liberation Army. In the new five-member Political Bureau's Standing Committee, Deng Xiaoping and his proteges, General Secretary Hu Yaobang and Premier Zhao Ziyang, make up a majority. The two other members are Chen Yun, a well-respected, ranking Chinese Communist Party leader, and President Li Xiannian. Deng has successfully reduced the military influence in the Political Bureau by removing 7 of the 10 military officers. They have been replaced by a new group of reformists composed of Tian Jiyun, Qiao Shi, Li Peng, Hu Qili, Yao Yilin and Wu Xueqian. The three remaining military officers are Yang Shangkun, Vice Chairman of the Party Military Commission; Yang Dezhi, Armed Forces Chief of the General Staff; and Yu Qiuli, Director of the PLA General Political Department.

(2) Implication of the Leadership Changes for Reform Policy

Chinese cadres are divided into three levels: the "first echelon," made up of veteran revolutionaries with high prestige, such as Deng Xiaoping and Chen Yun, who are the principal policy makers; the "second echelon" consisting of chief cadres such as Zhao Ziyang and Hu Yaobang, who are now carrying out the day-to-day administration, including the reform policy; and the "third echelon" made up of younger, better-educated, professionally competent cadres, who belong to Deng's reformist group. Since the third echelon belongs to the Deng group, they are likely to support the second echelon of Deng proteges and chosen successors and the second echelon and third echelon cadres can be expected to work together for a smooth succession and continuity of the reform policy. Building the third echelon is an essential element in maintaining the stability and continuity of the Chinese leadership and carrying the reform policies into the next century.

In the 1985 leadership changes, Deng has achieved a political victory by securing important positions for his reform-minded supporters and has successfully depoliticized the Chinese military forces. With the new leaders united behind Deng and his reform policies, the Chinese economic reforms have a firm political foundation.

d. Military Reforms

(1) Demobilization of One Million Troops

At an enlarged meeting of the State Central Military Commission in June 1985, Deng Xiaoping announced that the People's Liberation Army will demobilize 1 million troops in the next 2 years as part of the military reform program. Yang Shangkun, Vice Chairman of the Party Military Commission, stated on 5 July 1985, that, following this cut, China's Armed Forces would be at their lowest numbers ever.¹¹ Although China has reduced the ratio of defense spending in the total 1985 budget from 16.3 percent to 11.9 percent,¹² the per capita military expenditure will increase as a result of the demobilization. Most of the cuts will come in administrative staff positions rather than combat forces.

The General Staff, the General Political, and General Logistics Departments, the National Defense Science, Technology and Industry Commission and major military area commands, and their subordinate organizations will all take major cuts. The General Logistics Department alone is to cut its staff by half. This streamlining will result in a surplus of barracks, warehouses and other facilities, which can be turned into farms, hotels, hospitals, and civilian factories. There are three main advantages in transferring the facilities to civilian use:

- ° a large amount of money saved from the PLA's personnel budget can be used to modernize military equipment and training;
- ° the newly transformed civilian enterprises can reemploy the demobilized soldiers and officers to ease the resettlement cost; and
- ° the enterprises can produce civilian goods for China's economic construction.¹³

Therefore, the troop reduction not only will save defense spending for the use of economic construction but also will speed up the modernization of the Chinese military system. Streamlining and reorganization should improve the quality of the Armed Forces, making them less cumbersome, and more efficient and combat-ready.

(2) Reorganization of Military Regions

China's military regions have been reorganized and reduced from 11 to 7. The Hubei Military District and the Sanxia Military District are incorporated into the Guangzhou Military Region; the former Wuhan Military Region is merged with the Jinan Military Region; the former Urumqi Military Region is merged with the Lanzhou Military Region; the former Kunming Military Region is merged with the Chengdu Military Region; and the former Fuzhou Military Region is merged with the Nanjing Military Region.

New commanders and political commissars have been appointed in several military regions (see Table 1). The four newly appointed military region commanders were elected full members of the 12th Central Committee of

CCP, as is customary. Among the new political commissars, only Nanjing Political Commissar Fu Kuiqing has retained his membership in the Central Committee.

Table

Military Region Commanders and Political Commissars

<u>Military Region</u>	<u>Commander</u>	<u>Political Commissar</u>
Beijing	Qin Jiwei (retained in position)	Yang Baibing (formerly Deputy Political Commissar of the Beijing Military Region)
Chengdu	Fu Quanyou (formerly Commander, 1st Army, Nanjing Military Region)	Wan Haifeng (formerly Deputy Political Commissar, Beijing Military Region)
Gangzhou	You Taizhong (retained in position)	Zhang Zhongxian (previous appointment unknown)
Jinan	Li Jiulong (previous appointment unknown)	Chi Haotian (formerly Deputy Chief of the General Staff)
Lanzhou	Zhao Xianshu (previous appointment unknown)	Li Xianhua (formerly Director of the Political Department of the Urumqi PLA forces)
Nanjing	Xiang Shouzhi (retained in position)	Fu Kuiqing (formerly Political Commissar of the Fuzhou PLA forces)
Shenyang	Liu Jingsong (formerly Commander, unidentified Army)	Liu Zhenhua (retained in position)

The Chinese leadership believes that the danger of war still exists, yet it is unlikely that a large-scale war will break out for a relatively long time. Moreover, China profits from being perceived by other nations as not presenting a military threat. A peaceful environment will permit the Chinese to concentrate their resources on developing the civilian economy.

(3) Militia and Reserves

In 1985, China established a 20-division reserve system to support its troop reduction of 1 million.¹⁴ In addition, a number of colleges and senior middle schools were selected to train military reserves. By significantly reducing the size of its active duty force and transferring the

troops to the reserve, China hopes to realize a considerable saving which can be applied to the development of the civilian economy while maintaining a ready force which can be mobilized to augment regular forces and form a large, combat-ready army in time of war.

According to article 5 of the Military Service Law of the People's Republic of China, adopted on 31 May 1984 by the 2nd Session of the 6th National People's Congress and promulgated on 1 October 1984, "those who are organized into militia units or registered for reserve service are called reserve military servicemen." Soldiers discharged from active duty become primary militia reserves; male citizens from 18 to 35 who have not served on active duty are organized into secondary militia units in the PLA reserve service.¹⁵ Military training for the reserves is conducted either by militia units made up of retired military or in accordance with the special regulations of the State Military Commission. In 1985, China began assigning selected colleges and senior middle school to offer courses, such as military science, doctrine of people's war, history of the PLA, regulations of the PLA, and military strategies and weaponry, designed to develop a well-trained reserve force during peace time.

The newly established reserve divisions consist of ground forces divisions, garrison divisions, artillery divisions, and naval artillery divisions, giving them the capability to conduct modern combined warfare. Ground forces reserve divisions are organized into infantry, tank, and artillery units the same as regular divisions. Each of these reserve divisions has a strength of about 10,000 for a total reserve force of at least 200,000. Militia units, dispersed in urban and rural areas throughout China, have developed from a single infantry force into a strong, unified force containing various special technical units, such as antiaircraft, artillery and anti-chemical units. Because China is a very large country, the militia are trained under varying conditions in several locations in order to be prepared to fight wars in different geographic and weather conditions.

A December 1985 PLA General Staff Department and General Political Department "suggestion" that "strengthening the militia is an important aspect in the modernization of national defense"¹⁶ indicates that continued improvement of the organization, equipment, and training of reserve forces is a high priority in the PLA.

(4) Weaponry and Training

China's current budgetary priorities rank military modernization as the fourth of the Four Modernizations, requiring the PLA to operate within a limited budget. In 1985, defense spending was reduced from 16.3 percent to 11.9 percent of the budget. However, every aspect of the Chinese military system, including doctrine, training and weaponry, has undergone extensive reform. Equipment was improved mainly through domestic research and development, with some selective foreign purchases of highly technical equipment, such as avionic equipment from British companies; radar, navigation systems, communications equipment and helicopters from US firms; and helicopters and radar systems from France. The domestic armaments industry has developed new-model, heavy-caliber cannons and more efficient automatic rifles and rockets, as well as a new generation of naval missiles. The Chinese also have made use

of existing weapons platforms such as tanks, to which they have added improved guns, superior armor, infrared night-vision devices, stabilized turrets, laser range-finders, and more powerful engines. In addition, a powerful national-defense-communication network connecting the headquarters command center with the military regions and various localities and border posts took shape in 1985. Increasingly available inexpensive microcomputers also have increased the effectiveness of command and the quality of communications.¹⁷ With continued effort on research and development, the Chinese hope that their military technology will approach the level of advanced countries within the next 15 years.

Chinese military leaders have indicated that "people's war" remains a "magic weapon" for future wars. But, since the death of Mao, this doctrine has been modified to "people's war under modern conditions," allowing for training in positional defense and combined warfare. Wang Hai, Commander, PLA Air Force, stated on 1 August 1985, that "a future war requires us to boost our ability for quick response, data collection and analysis, and [to] raise effectiveness in combined operations."¹⁸ To this end, more than 100 institutes were established in 1985 to provide modern military training and courses in science and technology. In addition, several colleges and middle schools have added military training and courses in military science to their curriculum. In late 1985, the PLA National Defense University was formed from the merger of the former Military Academy with the Political Academy and the Logistics Academy. This university, which will begin enrollment in September 1986, is intended to serve as a military science research center, as well as a school for training PLA officers in modern military science and technology; updated strategy and tactics for combined warfare; and general military, political, and logistical knowledge.

e. Conclusion

China's reform policies remained successful in 1985. Economic reforms have improved the rural economy and are beginning to take effect in the urban economy. For the first time in modern history, there is adequate food, clothing, and housing for the Chinese people. China is moving away from the traditional centrally controlled, rigidly planned economy in the direction of a planned commodity economy with public ownership and collective management. Direct state control is being reduced gradually and local management is responsible for profits and losses. If this policy continues, China's economic conditions can be expected to continue to show great improvement. Problems such as too-rapid economic growth and shortages of foreign exchange remain, but the Chinese leadership is seeking solutions, including confining the annual growth rate to 7 percent in the first 2 years of the Seventh Five-Year Plan. If the Chinese can succeed in controlling the annual growth rate while introducing economic reforms, the economy should continue to develop into the 1990s. Reduced international tensions and changes in Chinese tax laws have improved trade and attracted a growing number of foreign investors and joint ventures.

Deng Xiaoping has succeeded in depoliticizing the military, reducing the influence of older, conservative leaders who oppose his reforms, and placing his hand-picked successors in decisionmaking positions. As the second echelon of administrators and their heirs-apparent in the third echelon become

more firmly entrenched, the prospects for the reform policies will continue to improve. Deng Xiaoping told Henry Kissinger, former US Secretary of State, that "based on the experience of the past 10 months, the [Chinese] government was all the more confident of carrying out the current reforms."¹⁹ The longer Deng remains in good health, the faster reform policies will become institutionalized and the more secure his hand-picked successors will be in their positions. Even after Deng's death, the reform policies will continue because they are becoming entrenched in Chinese society. Future leaders can make only adjustments in the speed of implementation.

NOTES

¹"Year of Progress in Rural Reform," China Daily (Beijing), vol. 5, no. 1373, 17 December 1985, p. 1.

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³Xinhua (Beijing), 30 December 1985, in Foreign Broadcast Information Service. Daily Report: China (hereafter FBIS/China), 30 December 1985, p. K7.

⁴"Recent Developments in China's Economy," Sino-British Trade Review & China Trade and Economic Newsletter (London), no. 253, October 1985, pp. 1-2.

⁵Michael J. Moser, "Guangdong's SEZs," The China Business Review (Washington, DC), vol. 9, no. 2, March-April 1982, pp. 40-46.

⁶"Criticisms of Special Export Zones and Free Ports have Prompted a Big Rethink in Beijing," South (Hong Kong), November 1985, pp. 131-32.

⁷Xinhua (Beijing), 24 October 1985, in Summary of World Broadcast (London), 2 November 1985, pp. C4-5.

⁸Chen Yongping, "Gu Mu Defends Shenzhen Success," Ta Kung Pao (Hong Kong), 9 January 1986, p. 1.

⁹"Price Reform: 6 Months Later," Beijing Review, vol. 28, no. 49, 9 December 1985, pp. 49-50.

¹⁰China Trade Report (Hong Kong), vol. xxiii, November 1985, pp. 8-10.

¹¹Liu Huinian, Xinhua (Beijing), 5 July 1985, in FBIS/China, 5 July 1985, p. K5.

¹²Jane's Defence Weekly (London), vol. 4, no. 2, 13 July 1985, p. 72.

¹³Wang Gangyi, "PLA Logistics Department to Cut Staff by Half," China Daily (Beijing), 26 June 1985, p. 1.

¹⁴Akihiko Ushiba, Sankei Shimbun (Tokyo), 3 June 1985, p. 1, in FBIS/China, 6 June 1985, p. 2.

¹⁵"Military Service Law of the People's Republic of China," Xinhua (Beijing), 4 June 1984, in FBIS/China, 6 June 1984, p. K1.

¹⁶Xinhua (Beijing), 8 December 1985, in FBIS/China, 11 December 1985, pp. K19-19.

¹⁷Li Wei, "China Makes Remarkable Progress This Year in Army Modernization Work," Zhongguo Xinwen She (Beijing), 26 December 1985, in FBIS/China, 30 December 1985, pp. K12-14.

¹⁸Wang Gangyi, "Air Force to Cut Men But Boost High-tech," China Daily (Beijing), 2 August 1985, p. 1.

¹⁹"China is Confident in Reform, Says Deng," China Daily (Beijing), 12 November 1985, p. 1.

2. CHRONOLOGY

The records included in the following chronology, covering the period 1 May 1984 - 31 December 1985, have six headings:

- | | |
|---------------|--|
| Objectives | ◦ the major areas of reform in China; |
| Subobjectives | ◦ categories of important programs, problems, and accomplishments under the major areas of reform; |
| Indicators | ◦ summary of events, programs, problems, and accomplishments in the major areas of reform; |
| Assessment | ◦ analysis of the implications of the reforms; |
| Sources | ◦ the material on which the indicator and assessment are based; and |
| Item Date | ◦ date of events or programs. |

The 150 records are listed chronologically under appropriate objectives.

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RECORD: 19

Objectives	ECONOMIC
Subobjectives	reform of science institutes
Subobjectives	bureaucratic efficiency
Indicators	The institution of the responsibility/contract system in 1983 doubled the productivity of employees of Beijing's 20 scientific research institutes and increased their incomes. Prior to the reforms, an average of 11 persons worked on each project; now the average is 6. Previously, an average of 29 people were involved in achieving each research result; now 14 are used. In May 84 the State Council ordered all research institutions to introduce some form of contract/responsibility system. In 1983, 20 of 79 Beijing institutes experimented with a responsibility system; they may keep 90% of their profits for development, welfare funds and bonuses. Institutes are encouraged to sign contracts with enterprises (this was previously assigned through administrative channels). Other aspects of the reform include gradually changing institutes working only for certain industries to technological development centers attached to enterprises, establishing joint research-production companies, and so forth.
Assessment	This reform measure was introduced in Beijing in 1981. Progress continues to be slow as only 20 of 79 science institutes in 1984 adopted the responsibility system. There has been success in the reducing the average number of people needed to work per project--resulting in increased work loads, increased number of contracts signed, and expanded relations with business enterprises. See Records 22, 61, 93.
Sources	Dong Lisheng. "Reforms Spur Science Institutes." China Daily (Beijing), 21 Jun 84, p. 3.
Item Date	83//0/0/

RECORD: 1

Objectives	ECONOMIC
Subobjectives	rejuvenation of bureaucratic apparatus
Indicators	In Beijing, 525 new leaders are appointed to leading posts in industrial bureaus/enterprises in 1983 as bureau directors, deputy managers, general engineers, and general accountants. One third of these appointees are under 40 years of age. The

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

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average age of executives drops from 56.5 to 48.3 in industrial bureaus, and from 49.6 to 45.9 in 190 large or medium-sized industrial enterprises. University-educated executives make up 64.3% of the bureaus' leadership, up from 35.5% in 1982 and 37.8% of enterprise management, up from 21.6% in 1982. Leadership in Beijing's 17 industrial bureaus and 1/2 of its S&T research institutes is restructured; 54 of 55 main industrial enterprises have leadership reshuffles.

Assessment Some older personnel retire, others become advisers to new executives or are transferred to lower posts. Figures show a statistical improvement--an increase in both younger and better educated cadres.

Sources "Young Cadres Promoted." China Daily (Beijing), 4 Jan 84, p. 3.

Item Date 83//1/2/

RECORD: 25

Objectives ECONOMIC

Subobjectives decentralization

Subobjectives agricultural reform

Indicators Peasants adapt and adjust to numerous changes in the production, discipline, reward systems (the responsibility system), changes in land assignments, and the reorganization of village life. In 1983 the "family responsibility system" set the all-time record of basic production outputs.

Assessment Reforms begun in late 1978 are being consolidated in 1983. Three to 4 years of indoctrination has led local CCP cadres and administrators to "generally" accept production under contract. County and lower-level CCP officials have opposed and resisted reforms, making them politically vulnerable to future changes in economic priority. Pressure and interference from mid-level government officials have created local political tensions. The basic institution in need of change is the CCP. In rural areas the strategy has been to disengage CCP offices and local government from commune entanglement. Central decision-makers hope that the new policy of separation, but with a continued presence at the township level, will separate the township government from the CCP committee, and separate the government from daily economic decisions, rectifying the

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

Continued

leadership and infusing energy into decision-making. The problem remains that administrative units remain staffed by CCP members.

Sources "Meanwhile, Back on the Farm." China News Analysis (Hong Kong), no. 1251, 2 Jan 84, pp. 1-13.

Item Date 84//0/0/

RECORD: 26

Objectives ECONOMIC
Subobjectives industrial reform
Indicators Efforts to develop a consumer goods industry began in Aug. 83. A consumer goods industry will promise higher living standards, and improve production rates, financial order, and technological modernization. It will generate cash and provide financial responsibility and material rewards for both the whole unit and individuals. Managers are to budget and forecast all aspects of production.

Assessment Plant leaders deal with administration and supervision, not decision-making. A lack of economic results, lower profits, greater deficits, capital sunk in unsaleable goods, and managerial reform have occurred simultaneously with attempts to increase the speed of production, change personnel, and institute administrative reform. The State raised the prices of raw materials and fuels and lowered the prices of consumer goods, creating a larger demand for goods without necessary new equipment, methods and skills, and an unwillingness to commit massive funds to technological improvements--the problem of contradictory pressures. Plant managers have little experience in budget and forecasting. The profit motive is contradictory and undermines pragmatic policies. Heavy industry is squeezing out light industry.

Sources "Consumer-Goods Industry," China News Analysis (Hong Kong), no. 1253, 30 Jan 84, pp. 1-7.

Item Date 84//0/0/

RECORD: 45

Objectives ECONOMIC
Subobjectives agricultural reform
Indicators Because the responsibility system links output directly with economic interests, some peasants who have contracts with production

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teams have subcontracted to take charge of other peasants' farmlands. This is a trend towards the further improvement of the contract system. In many communes and brigades, farmland subcontracts have grown simultaneously with the development of sideline occupations and the diversified economy.

Assessment

Some new problems have occurred with the contract system. Within a production team, some larger households would like to have more contracted lands; other households find it hard to work all their fields. Subcontracting of farmland or the transfer of farmland suits the need for a more elaborate division of labor in agriculture and the development of commodity production. If there is no transfer of land through subcontracting, some peasants will not be able to leave the farm; others will not be able to reach their production potential--in the end it will affect the development of specialized and socialized agriculture. China is stressing the stabilization of the production responsibility system since it is vital to agricultural production. The readjustment of the relationship between labor and land can only be done on a small scale and subcontracts for land transfer can only take place spontaneously among a few peasants. Production brigades should give guidance and strengthen management and supervision--not necessarily unify the work.

Sources

Wang Xingrong. "Subcontract Newest Way to Handle Land." China Daily (Beijing), 1 May 84, p. 4.

Item Date

84//0/5/

RECORD: 78

Objectives

ECONOMIC

Subobjectives

cadre selection

Subobjectives

management reform

Indicators

A new system of cadre selection has been instituted by 50 losing enterprises in Wuhan, Hubei Province. The Wuhan Economic Department initiated the 3-part system to recruit qualified young cadres: nominating, electing, and contracting. Enthusiastic, daring young people with sound scientific and managerial backgrounds are nominated and given important jobs in stagnant enterprises. Candidates for

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

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election, nominated by themselves or others, are given jobs on a trial basis. Leaders at higher levels evaluate the cadres' progress; once elected, managers are allowed to choose their assistants. In smaller factories or workshops within large factories, would-be managers are given the chance to show their abilities and will be placed under contract after their policies prove effective--i.e., produce good economic results. Wuhan has a reformed system of bonus distribution and responsibility subsidies, now firmly linked to profits. Managers will get 30-yuan bonuses if their factories overfulfill their quotas by 10% or recover losses by a like amount. They can also receive pay raises along with their responsibility subsidies by proving to be instrumental in effecting good economic results. Managers will also be allowed to hire and fire professional personnel, raise or cut their salaries, and promote workers to leading posts.

Sources "Enterprises Adopt New Cadre System." China Daily (New York), 2 May 84, p. 3.
Item Date 84//0/5/

RECORD: 11

Objectives	ECONOMIC
Subobjectives	organizational reform
Indicators	Reforms in the commercial system seek to create a "unified and animated domestic market." China will merge most of its wholesale agencies into wholesale markets, or "trade centers"--as independent business entities no longer subordinate to offices of any commercial departments. Reform is geared to speeding up "commodity circulation" in large cities. Regional trade barriers will not be allowed. Trade centers will handle all commodities save important means of production and goods in short supply; centers are being planned in all cities and rural commercial hubs.
Assessment	The Chongqing Industrial Trade Center has already been successful in this type of experiment. More centers remain in the planning stages.
Sources	Zhang Xiaogang. "China's Commerce System Faces Profound Reform." China Daily (Beijing), 19 Jun 84, p. 4.
Item Date	84//0/6/

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RECORD: 29

Objectives	ECONOMIC
Subobjectives	management reform
Indicators	China is interested in learning western management techniques because it estimates 5% of its population--50 million people--need managerial training. To this end, American, Japanese, and European entities have been allowed to establish business schools in China. The United States runs the American Management Institute in Dalian (which recently had its US grants renewed for another 5 years). Japanese instructors advise on production management in Chinese factories. The EEC is helping to start (with a \$2.8 million grant) a business school in Beijing as a joint project with the China Enterprise Management Association (a state body established in 1978 to improve management). The grant will finance the European academic staff for the school's first 5 years; the Chinese will provide the buildings and some faculty members. The teaching language will be English; the school will open in Spring 1985. By then the first 35 student managers and 8 Chinese faculty will have studied business and English in Europe for 5 months. The Brussels-based European Foundation for Management Development will run the project which will deal more with practical training than academic theory for the EEC. Computers will be a part of the curriculum. At the end of their studies, the graduates will be sent to European companies as part of the MBA program.
Assessment	This program has a long way to go to make a dent in the estimated goal of 50 million managers. The small numbers of people currently being trained is evidence of this shortcoming. At this rate there will not be nearly enough managers to reach the modernization goals of the year 2000. The American Management Institute in Dalian will have trained 900 managers, many now running major enterprises, by the end of 1984. See Records 85, 97.
Sources	"Let 50m MBAs Bloom." The Economist (London), 9 Jun 84, p. 86.
Item Date	84//0/6/

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RECORD: 22

Objectives	ECONOMIC
Subobjectives	reform of science institutes
Subobjectives	bureaucratic efficiency
Indicators	Research institutes in Beijing introduced management reforms which are being adopted in stages and vary according to the type of institution. Fifty engineering and applied science institutes will be funded through projects they have contracted for; 30 institutes in the pure sciences will operate on fixed funds. Ten draft measures to give S&T institutes more say in running their own affairs have been announced. Twenty engineering institutes are already on a contract system; by the end of 1985 all 50 are scheduled to be so. Institutes will be funded solely from sales of technology they have developed. The 30 pure science institutes will not have any economic rate of return for the next 2 years; they will submit a fixed budget for particular projects to their supervisory government department; once approved, they can keep money they save on the project.
Assessment	Management reform efforts are being phased in over at least a 2-year period. The profit motive may spur on successful implementation of the reforms. A new hiring policy will also be instituted; alongside wage and salary reforms, more flexible personnel practices may aid development. See Records 19, 61, 79, 93.
Sources	"Management Reform for Research Institutes." China Daily (Beijing), 18 Jul 84, p. 1.
Item Date	84//0/7/

RECORD: 24

Objectives	ECONOMIC
Subobjectives	management reform
Indicators	In 1984, more than 490 factories elected directors and managers in a major reform of the personnel system in Wuhan. Factory elections were introduced by the municipal leadership in a bid to speed up reorganization of the city's economic structure. Candidates are proposed or picked from volunteers, usually between 2-5 for each appointment. Elected directors and managers tend to be younger with good educational qualifications; nearly 1/2 are high school or college graduates, and their average age is 35. Candidates address the workforce on their

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reform program and answer questions prior to the voting procedure.

Assessment This is an example of the election procedure in just one city's factories. Wang Chun, 1st Secretary, Wuhan CCP Committee, says the city now intends to extend the election system to other sectors. A survey by the Wuhan Bureau of Light Industry says that of 75 factories where elections have occurred, 31 have increased their profits, 24 turned losses into profits, and 7 reduced their deficits.

Sources "New directors elected in factories shake-up." China Daily (Beijing), 25 Jul 84, p.3.

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RECORD: 48

Objectives ECONOMIC
Subobjectives urban reform
Indicators "Reformative work" in the urban commodity-circulation system must be carried out in accordance with local conditions. It is important to distinguish between government administration and enterprise management, expand enterprises' power, and strengthen government's administrative control. The three-tier wholesale system for manufactured goods for daily use must be changed and wholesale stations merged with wholesale corporations. Trade centers must be established in cities to gradually form an open wholesale system with more channels, but fewer intermediate links. Small state-owned retail stores and catering and service trade units must be transferred to collectives or leased to individuals for operation. Big and medium-sized state-owned retail stores and catering and service trade units should institute operation contracts and the responsibility system after replacing profit delivery with tax payment. Price policy must be implemented correctly and any action to shift burdens onto buyers prohibited.

Sources Beijing Xinhua Domestic Service. "Commerce Ministry Report Views Commercial Reform." in FBIS/China, 24 Jul 84, pp. K12-13.

Item Date 84//0/7/

RECORD: 59

Objectives ECONOMIC
Subobjectives organizational reform

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Indicators It is necessary to delegate more power to enterprises and free them from the restrictions and direct control of administrative organs. Enterprises must be turned into independent economic bodies, separate from government administration, managed by trade, with the boundaries between various kinds of ownership and subordinate relations abolished. Economic bodies must be established as specialized or joint companies. The concept of "enterprise" must be expanded to include more than an individual factory, shop or mine and given legal status --guilds, alliances, or leagues should be established, but remain relatively independent. Enterprises in the same trade should jointly organize a coordinating organ to formulate plans for the trades and to coordinate supply, production, marketing, and so forth.

Sources Chen Bingliang. "Separating Government Administration From Enterprise Management Is a Vital Component of Urban Reform." Guangming Ribao (Beijing), in FBIS/China, 6 Aug 84, pp. K13-14.

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RECORD: 72

Objectives ECONOMIC

Subobjectives rural financial reform

Indicators Wang Lan, Vice Chairman, Board of Directors, Agricultural Bank of China, said energetic reforms should be made in rural finance to advance rapid change in the countryside. Rural financial departments must better adapted to the needs of commodity production and exchange in rural areas. Reforms must establish an independent and modern rural financial network and further the role of rural financial departments as a lever in promoting economic development. Rural credit cooperatives and branches of the Agricultural Bank of China must first consider economic returns before extending credits. Credits should be increased only if purchases of farm and sideline products grow and the rate of credit recovery rises. A large part of these credits should be extended to specialized households and economic unions in rural areas, or to rural enterprises devoted to food and feed industries and the processing of farm products. Branches of the Agricultural Bank of

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China should be given more authority in managing credit funds. Interest rates on rural credits should be allowed to fluctuate according to actual circumstances within a fixed margin set by the state. Interest rates on credits on projects encouraged by the state should be lower; those to be discouraged, higher. To precipitate reforms, rural financial departments should enroll more people with training in agriculture, forestry, water conservancy, animal husbandry, foreign languages, and computers.

Sources

Chen Guanfeng. "Reform of finance in countryside proposed." China Daily (Beijing), 1 Aug 84, p. 2.

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RECORD: 39

Objectives

ECONOMIC

Subobjectives

management reform

Indicators

Gu Ming, Deputy Secretary General, State Council, said a reform aimed at expanding decision-making powers of business management will be introduced gradually to all state industrial enterprises in 1985. The new system, part of the ongoing national economic reform program in urban areas, will ensure that directors and managers have total responsibility for production. Party and administrative work will be separate--a director will have final say on technical and operational management and be able to make decisions on the spot without outside interference. A director could "form his cabinet" by nominating deputies and appointing heads of administrative and technical departments. Deputies will usually serve 2-3 years, but may be dismissed at any time for incompetence. The new system will end the practice within state enterprises of guaranteeing everyone a wage regardless of work done. After paying taxes, enterprises will set wages and bonus rates. The reform will allow party committees to concentrate on implementing party policies and educating workers and staff.

Assessment

Since early 1984, new management powers have been tested in 207 State enterprises in Beijing, Tianjin, Shanghai, Shenyang, Changzhou, and Dalian.

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

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Sources Liu Dizhong. "Managerial reform to give directors total responsibility." China Daily (Beijing), 9 Aug 84, p. 1.

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RECORD: 44

Objectives ECONOMIC
Subobjectives decentralization
Indicators Shijie Jingji Daobao (World Economic Herald) reports State ownership of the means of production will remain a "fundamental tenet" in China. However, "the economic monotony of state ownership" will yield to diversified economic management and modes suited to Chinese conditions--in other words--decentralization. The planned economy will continue to play a major role, although market regulations will be implemented and a rigid adherence to the state plan and targets ended. Efforts will be made to institute a multilayer policy-making body that centralizes important powers, decentralizes minor powers, and creates a clear division of labor between the CCP committees, administrative departments, and enterprises. Economic management according to administrative system and regions will be changed to a new system where the urban economy is dominant and production guided according to the division of trade. Economic restructuring will also abolish the taboos fettering the enterprises to improve distribution; set up a system of distribution where the economic interests of the central and local units, state and enterprises, collectives and individuals are coordinated, and the duties, powers, and interests of all sides clearly defined. The financial system of unified state allocations for state-owned enterprises and unified collection of their receipts, standardized pricing and "eight-grade" wages will also be changed.

Sources "Quick Glance at Economic Reform." Beijing Review, 13 Aug 84, p. 31.

Item Date 84//0/8/

RECORD: 51

Objectives ECONOMIC
Subobjectives management reform
Indicators China is trying a "free-flow experiment" to reform its scientific personnel management

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system and end lifelong job tenure. China seeks to distribute and employ its 6 million scientists and technicians where needed and without undue concentration in several large cities and certain organizations. A 1983 State Council document which aims to promote labor mobility and preferential policies designed to place workers where needed has been drawn up. A job-invitation system has been set up on a trial basis to coordinate with the present job-assignment system, also subject to reform. The job-assignment system will be strictly enforced in key construction and research projects and in remote border areas. Scientists and technicians who are inappropriately employed will be reassigned. College graduates will be free to transfer only after 3 years of assigned work.

Assessment

"All these measures are, of course, elementary and still being tried out. Therefore, more experiments and improvements will be needed."

Sources

Xin Xiangrong. "Rational Flow of Skilled Personnel." Beijing Review, no. 32, 6 Aug 84, pp. 4-5.

Item Date

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RECORD: 52

Objectives
Subobjectives
Indicators

ECONOMIC
urban reform
Experimental comprehensive reform of the urban economic system will have been conducted in 52 cities in China by the end of September 1984. Twenty-one of these cities are provincial or regional capitals and 8 are coastal cities, open to outside work--including Fuzhou, Xiamen, and Guangzhou.

Assessment

Fifty-two cities do not constitute an extensive reform, given the size of China and the size of the problem.

Sources

"Experimental Comprehensive Reform of the Urban Economic System Is Being Carried Out in 52 Cities." Guangming Ribao (Beijing), 16 Oct 84, in FBIS/China, 23 Oct 84, pp. K8-9.

Item Date

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RECORD: 56

Objectives
Subobjectives
Subobjectives

ECONOMIC
professionalization
management reform

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Indicators	Renmin Ribao (Beijing) reports Shanghai has developed a contingent of 1,500 talented people ready to assume posts as cadres and help the modernization program. This unique group, democratically chosen, and consisting of many young or middle-aged people (average age slightly over 42 years), is around 90% college-educated (or with similar schooling) and 70% professionally titled. In the 2d half of 1983 Shanghai used the views of the public and a computer to draw up a list of future cadres. Data was gathered from a form with 40 different sections filled in by people qualified to judge the candidates' qualities and potential. The public recommended candidates, and information on those nominated is stored in a computer. The system has been described as "scientific, democratic, systematic and modern." Those selected will receive training and eventually be promoted to replace those with unsatisfactory job performance.
Assessment	It is noted that those selected will "eventually be promoted" to cadre positions.
Sources	"Talent force of 1,500 set to take over top positions." China Daily (Beijing), 16 Sep 84, p. 1.
Item Date	84//0/9/

RECORD: 53

Objectives	ECONOMIC
Subobjectives	management reform
Indicators	Ninety-four percent of the 1st group of 9,019 business executives passed the state exams held in August. The examinees were managers and directors of enterprises in industry, commerce, foreign trade, construction, transport, and post and telecommunications. The exams covered China's economic policies and management principles. A State Council decision mandates that all managers and directors of state businesses take the exams, which are scheduled to be completed nationally by the end of 1985. Personnel who decline to take the exams will be relieved of their posts; those who fail will be able to retake them only once and will be removed from office if they fail a second time.

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Assessment Part of an ongoing effort to raise managerial efficiency in state-owned enterprises.

Sources Beijing Xinhua. "Results of State Executive Exams Released." in FBIS/China, 25 Oct 84, p. K6.

Item Date 84//1/0/

RECORD: 67

Objectives ECONOMIC

Subobjectives urban reform

Indicators The thrust of urban economic reform is to reduce the role of the State and Party in the economy. The authority of State agencies to dictate output quotas to factories will be decreased in favor of market forces. The autonomy of enterprises will be expanded--giving more responsibility and authority to professional managers and reducing the role of Party officials.

Assessment The reform effort has lagged due to a limited consensus on urban reforms in the Party leadership. Formal adoption of a reform program document (at the 3d plenum of the 12th NPC) will commit Party members to support the program and establish a basis for using the Party's internal disciplinary apparatus to punish members who obstruct reforms. Both leftist remnants--who see reforms as a return to capitalism and pragmatists within the Party--who agree with rural reforms but believe the answer to China's industrial inefficiency is not to abandon planning and administration but to make it work better have been opposed to the reforms.

Sources Robert Delfs. "Free-market Communism." Far Eastern Economic Review (Hong Kong), 25 Oct 84, pp. 51-52.

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RECORD: 68

Objectives ECONOMIC

Subobjectives price reform

Indicators Price reform is crucial to reducing the state's and party's role in the economy. The State Planning Commission announced in Oct 84 that the range of industrial products under mandatory planning and price controls will be halved from 120 to 60 at the end of 1984. This shifts the blend towards the free market with a three-part division of the economy into

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

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compulsory planning with fixed prices, guidance planning with floating prices, and freemarket sectors.

Assessment Implementation of price reform has lagged--in part due to the inherent complexity of industrial reform and the network of inter-dependencies among producers of raw materials, intermediate, and final products. Both leftist remnants and pragmatists oppose the reforms. The former see them as a return to capitalism; the latter agree to rural reforms, but see the solution to China's industrial inefficiency as not abandoning planning and administration, but making it work better. Formal adoption of the reform program at the 3d plenum, 12th NPC will commit party members to the program, lest they be subject to the party's internal discipline machine. See Record 88.

Sources Robert Delfs. "Free-market Communism." Far Eastern Economic Review (Hong Kong), 25 Oct 84, pp. 51-52.

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RECORD: 73

Objectives ECONOMIC
Subobjectives decentralization
Subobjectives market reform
Indicators The State Planning Commission announced China's centralized planning system will undergo major reform in 1985. More than half the products which now have output targets will switch to more general production guidelines or be left to market forces. Enterprises remaining under centralized state planning that fail to meet their targets will be fined and have their supply of raw materials and energy reduced the following year. Industrial products under centralized state planning will be reduced from 120 to 60; agricultural and sideline products from 29 to 10. Ministries, provinces, autonomous regions and municipalities may set quotas for items not included in the state plan, but these should be limited to only a few important goods. Products under centralized state planning will be sold at prices fixed by the state, though once an enterprise has fulfilled its output quota, it will be able to sell any surplus at flexible prices.

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Sources "Centralized planning to undergo reform."
China Daily (Beijing), 9 Oct 84, p. 1.
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RECORD: 88

Objectives	ECONOMIC
Subobjectives	price reform
Indicators	"Reform of the price system is ... the key to reform of the entire economic structure" because so many other aspects of reform depend on establishing a rational price structure. The range of products with uniform prices set by the State will be reduced; the number of products sold at floating and free prices will be increased. Price reform aims at having prices reflect the actual value of a commodity, taking into consideration production costs, relative quality, and market-determined factors of supply and demand. Price reform will also reduce the scale of mandatory planning and allow greater independence for enterprises. Price reform represents a decisive break with the Soviet model of a command economy controlled by a central bureaucracy and instead will "replicate the decision-making structure and environment of a capitalist economy." Price reform will identify and reorganize enterprises that fail to make efficient use of resources. Enterprise autonomy (another reform) is meaningless without price reform.
Assessment	Initial efforts to increase irrationally low prices for a broad range of retail commodities stopped 3 years ago, though the price of cotton cloth was successfully raised in 1983 in a carefully planned move which simultaneously eliminated cotton rationing and cut prices for synthetic-fiber fabrics. Certain areas of certain provinces have experimented with price reforms though the broad range of retail products, particularly foodstuffs, remain at artificially low prices--and at a great cost to the state for subsidizing them. Price reform will make the failure of certain enterprises inevitable, and also introduce a new problem--bankruptcy. A new bankruptcy law is being drafted to cover such issues as when the state is obligated, what recourse is available to creditors (who may also be foreign), what happens to laid-off employees, and so on. It will be difficult to

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properly synchronize each step in the various reforms since some price adjustments are needed sooner than others. If price increases outpace wages the potential for urban unrest will increase, and if wage and price increases are not accompanied by, or do not result in real improvements in productivity, the end result will only be inflation.

Sources

Robert Delfs. "The Price of Progress." Far Eastern Economic Review (Hong Kong), 1 Nov 84, pp. 26-27.

Item Date

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RECORD: 85

Objectives

ECONOMIC

Subobjectives

management reform

Indicators

The National Center for Industrial Science and Technology Management Development in Dalian, a special training program co-sponsored by the US and China, has been extended for another 5 years. The program, to promote Western business concepts and management skills, has been helpful in China's modernization efforts. Established in 1980, the program will have graduated nearly 1000 participants from its 5 sessions of the base program for directors and managers of large and medium-sized enterprises, one session for senior executives and one special session on applied statistics by the end of Nov. 84. Besides the center in Dalian, seven others co-sponsored by foreign countries are either set up or in preparation. The Dalian base program is modeled on the 2-year MBA program commonly offered in US business schools, though considerably shorter--6 months.

Assessment

It is thought that this training program for Chinese executives, in conjunction with further progress in China's economic reform program, the activation of the domestic economy, and opening up to the outside world, will familiarize Chinese executives with Western business concepts and management skills. However, less than 1000 executives have been trained since the program's inception in 1980. See Records 29, 97.

Sources

"Western Training Programme a Hit." China Daily (Beijing), 8 Nov 84, p. 4.

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RECORD: 99

Objectives	ECONOMIC
Subobjectives	wage reform
Indicators	Chen Bangquan, a department chief from the Ministry of Light Industry, said the State Council approved temporary regulations designed to spur the economic performance of enterprises. The change in wage allocation will be carried out in collectively-run light industrial enterprises, businesses that comprise 50% of China's 118,000 collectively-owned urban enterprises. Wages and bonuses will be counted in production costs, linking wages to product prices. This will enhance worker initiative because pay was directly linked to economic performance. There will be no ceiling on workers' bonuses, which unlike those in State-run enterprises, are tax exempt. The new wage system is expected to help control prices because light industrial enterprises produce goods in daily use. Under the regulations, enterprises are independent economic entities under the guidance, not instruction, of State policies and planning. Collectively run light industrial enterprises can adjust output and products in accordance with market demand, may sell their products directly to the market after meeting purchase targets set by the state, and can decide the prices of products not subject to state price controls. Production promotion expenses can now be included in production costs.
Sources	Li Huahong. "Reform of wage system put to test." China Daily (Beijing), 1 Dec 84, p. 1.
Item Date	84//1/1/

RECORD: 97

Objectives	ECONOMIC
Subobjectives	management reform
Indicators	The EEC is contributing to China's launching of a national management center in Beijing by sponsoring two Master of Business Administration programs for a total of 100 Chinese managers--some targeted as future leaders of Chinese industry. The program began operating out of temporary premises in Sep 84 with 35 students. The official opening of the center is in Mar 86. There are two components of the project: training the center's future Chinese faculty (25 professors); and training MBA students selected as future management trainers who will then work in other national

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management centers the State Economic Commission is establishing throughout China. The MBA course will be project-based and geared toward practice. Students, (all of whom have several years work experience) will work in teams of six, on 2-year consultancy assignments in selected industrial enterprises in the Beijing area carrying out comprehensive audits of the enterprise and its activities, working with its managers and addressing some key management problems. This will also amass much valuable teaching and research material on individual Chinese industrial enterprises. See Record 29.

Assessment Sources "The EEC-China Management Project." Sino-British Trade Review (London), no. 243, Dec 84, pp. 2-3.

Item Date 84//1/2/

RECORD: 100

Objectives ECONOMIC
Subobjectives Price Reform
Indicators An october 1984 Central Committee resolution announced price reform. Vice-Premier Tian Jiyun described the blueprint for price reform and indicated that the approach should be one small step at a time. Changes in the index of retail prices must be limited to what the State treasury, the enterprises, and individuals can afford. Start with the easy and then attack the difficult. The price of commodities such as cereals, edible oils, meat and vegetables have direct impact on peoples' living standards and must be adjusted in line with wage reforms.

Assessment The approach of taking "small steps, one at a time" and "starting with the easy and then attack the difficult." approach will ensure the smooth progress of price reforms.

Sources "Tian Unveils Blueprint for Price Reforms" China Daily (Beijing), 10 Jan 85, vol. 4, no. 1079, p. 1.

Item Date 84/10/00

RECORD: 106

Objectives ECONOMIC
Subobjectives structure
Indicators Economic reform is the remolding of the existing economic model. It is a reform carried out "on the premise of adherence to the socialist system." The "decision" has in

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Assessment	The new socialist economic model not only differs completely from the market economy model of capitalist countries, it is also vastly different from that of other socialist countries and shows pronounced Chinese characteristics.
Sources	Beijing Jingji Yanjiu. no. 12, 20 Dec 84, pp 16-24, in JPRS. China Economic Affairs, 11 Feb 1985, pp. 16-25.
Item Date	84/12/20

RECORD: 114

Objectives	ECONOMIC
Subobjectives	Industrial reform
Indicators	Shanghai Yanzhong Industrial Co. issued stocks for the first time in February; 100,000 of its shares sold within hours at 50 yuan each. It was the first modest beginning towards creating a stockmarket in China. As Deng Xiaoping has said: "The basic things will still be state-owned, but a greater opening to the outside world is needed to quadruple output and transform the country into a major economic power in the 21st century." The leaders are confident the freeing of the prices will not lead to any inflationary situation. As Premier Zhao puts it: "Prices are the key factor. In fact, they are the key to the entire reform." And he adds: "We will not waver because of a few disturbances." Shanghai is to be developed into what is described as an open socialist metropolis with multiple functions and a rational industrial pattern. Some 22 major lines of production will be emphasized, including electronics, motor vehicles, shipbuilding, aircraft,

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telecommunication equipment, high- and middle-grade consumer goods, petrochemicals, and iron and steel. Foreign investment, therefore, will be in ever-increasing demand.

Investment projects, which contain an element of technology transfer, are, therefore, courted and preferred.

Assessment The time is ripe for Shanghai to open stock exchanges. China is seeking to secure the wherewithal for its economic modernization and to meet the bulk of its future capital needs. Foreign investments are at the very heart of the country's open-door policy.

Sources Asian Finance (Hong Kong), vol. 11, no. 3, 15 March 1985, pp. 79-83.

Item Date 85//0/3/

RECORD: 115

Objectives ECONOMIC
Subobjectives structure
Indicators The "Decision" has broken through the traditional concept of denying the existence of commodity relationships within the whole-people ownership system and has explicitly pointed out that the enterprises owned by all the people should become relatively independent commodity producers and businessmen. The "Decision" has broken through the traditional concept of regarding competition as a capitalist characteristic and has pointed out specifically that there is bound to be competition as long as there is commodity production. China's economic structure has integrated fundamental Marxist principles with actual Chinese conditions.

Assessment China's economic structure is socialism with Chinese characteristics.

Sources Red Flag (Beijing) in Chinese No. 4, 16 Feb 85 pp. 41-45, JPRS-CRF-85-009, 12 April 1985u

Item Date 85//0/4/

RECORD: 103

Objectives ECONOMIC
Subobjectives industrial reform
Indicators In 1984 the ratio of light to heavy industry was 48.1 to 51.9. Light industry production increased by 13.4 percent while heavy industry production rose by 14.2 percent. Energy resources hit a record of 772 million tons of coal and 115 million tons of crude oil. The machine-building industry grew 20 percent over

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1983 and the output of electronic products increased by more than 50 percent. The state listed 123 key large- and medium-sized projects to be completed within a "reasonable" time limit. Construction on key coal mines, oilfields, power stations and railroads exceeded quotas in 1984. However, some problems remain. Housing is still in great demand. Finding sufficient water is another problem. Most small- and medium-sized mines are lagging far behind in technology. Technological transformation and mechanization should be accelerated.

Assessment
Sources
Item Date

Beijing Review (Beijing), no. 10, 11 March, 1985, pp. 15-18.
85/03/00

RECORD: 138

Objectives
Subobjectives
Indicators

ECONOMIC
special economic zones
The four special economic zones of Shenzhen, Zhuhai, Shantou, and Xiamen have provided a better environment for foreign investors since 1980. By late 1984, these four zones had signed with foreign business firms more than 4,700 agreements at total value of US\$2 billion. However, China's foreign exchange revenue amounted to only US\$87 million and foreign exchange earnings from exports remained rather low. From January to May 1985, Shenzhen's gross value of export commodities totaled at US\$176 million, an increase of 210 percent over the same 1984 period. In Zhuhai, 31 export-oriented enterprises expect to earn more than US\$23 million in 1985. Foreign exchange earnings are rising in Xiamen and Shantou. But, there also have been problems in the special economic zones--investments in capital construction are expended too fast; some enterprises are using every means, legal and illegal, to raise funds; and some zones engage in too many projects at the same time. In Shenzhen, 66 firms are involved in buying and selling foreign exchange, a violation of the state foreign-exchange-control system. Chinese authorities presently are working out procedures for better allocation of foreign exchange.

Assessment

The special economic zones were established to develop an export-oriented economy, expand export trade, and increase foreign-exchange

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earnings. During the past several years, in order to earn more foreign exchange, the zones have shifted their attention from the domestic market to export production. Although there have been problems, the overall results are in line with China's effort to establish more export-oriented enterprises and provide better conditions for foreign business firms.

Sources "China's Special Economic Zones Developing in the Direction of a Comprehensive Export-oriented Economy Focusing on Industry," Zhongguo Xinwen She, Beijing, 25 August 1985, in FBIS/China, 28 August 1985, pp. K5-6.

Item Date 85/08/28

RECORD: 133

Objectives ECONOMIC
Subobjectives five-year plan
Indicators The proposed 7th 5-year plan for 1986-90 calls for a restrained annual growth rate of 7 percent and a shift from direct to indirect state management control. In general, targeted production levels for 1990 will be twice those of 1980, quadrupling by 2000. Chinese economic planners hope to increase foreign trade by 40 to 50 percent, to continue the "open door" policy for foreign investment, and to expand the use of foreign technology. In the spring of 1986, the final detailed draft of the 1986-1990 plan will be presented to the National People's Congress for approval. The proposal also calls for maintaining the "socialist character" of the Chinese economy by preserving the dominance of the state production and distribution system.

Assessment If the private sector continues to improve over the state sector in efficiency and productivity as it has in the past few years, it will be more difficult to maintain the dominance of the state production and distribution system. It also will be a major challenge to control the economic growth rate over the next 5 years to meet the target of 7 percent. A preview of the 1986-1990 5-year plan reveals that the reformers are still politically firm and Deng's reform programs will be carried forward into 1990.

Sources Baum, Julian. "China's New Economic Plan to Carry Forward Deng's Reforms." Christian Science Monitor (Boston) 23 September 1985, p. 13.

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Item Date

85/09/23

RECORD: 141

Objectives
Subobjectives
Subobjectives
Indicators

ECONOMIC
industrial
agriculture
Agricultural and industrial growth have exceeded targets set in the Sixth Five-Year Plan (1980-85). From 1980 to 1984, China's agricultural economy grew at an average annual rate of 9.2 percent, more than double the 4.0 percent growth planned in the Sixth Five-Year Plan. Similarly, industry grew at an average annual rate of 7.9 percent in 1980-84, nearly double the planned rate of 4.0 percent. Industrial expansion has shown a steady acceleration over the past 3 years, growing 7.7 percent in 1982, 10.5 percent in 1983 and over 15 percent in 1984. Growth rate in the first quarter of 1985 reached 24 percent. Some of the most impressive industrial output increases in the first 8 months of 1985 have been in the production of consumer goods, with color television output up 240 percent to 2.3 million sets and household refrigerators up 200 percent to 810,000 units. There also were substantial output increases in steel, up 6.9 percent from the same period in 1984, in coal, up 11.6 percent and in crude oil, up 10.4 percent. However, steel is still in short supply and energy production cannot keep pace with rapid industrial growth. Several power plants had to close because of lack of fuel. Meanwhile, an estimated 50 million tons of coal is waiting in Northwest coalfields for transport to the coast.

Assessment

Although the boost in the production of consumer goods reflects a more balanced growth between heavy and light industry, China's economy grew at too fast a rate during 1985, causing problems such as an excessive rate of industrial production, excessive investment in fixed assets, over-expansion of credit and consumption funds, sharp increases in some commodity prices, and a drop in the state foreign-currency reserves. The CCP Central Committee and the State Council have acted promptly to tighten controls on excessive investment. As a result, industrial output rose only 8 percent in December 1985. The draft Seventh Five-Year Plan is also intended

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to slow-down economic growth, give prominence to energy production and power generation, and improve China's ports, railways, and telecommunications.

Sources

"Recent Developments in China's Economy."
Sino-British Trade Review & China Trade and Economic Newsletter, (London), No. 253,
October 1985, pp. 1-2.

Item Date

85/10/00

RECORD: 149

Objectives

ECONOMIC

Subobjectives

special economic zones

Indicators

Shenzhen, China's largest special economic zone, has made new progress in economic and technological cooperation with foreign countries. In the first 9 months of 1985, 801 contracts worth more than US\$787 million were signed with foreign businessmen on various economic projects. This is an increase of 111.8 percent over the same period in 1984. Shenzhen now has established economic and technological relations with the industrial and commercial centers of more than 50 countries, including the United States, Japan, the United Kingdom, Italy, Sweden, the Federal Republic of Germany, and Australia. Capital construction in Shenzhen totaled more than US\$1.7 billion in the first half of 1985, and provided more than 7,000,000 square meters of floorspace. A number of industrial workshops, commercial centers, and residential buildings have been built, and 34 buildings of over 18 stories have been completed and put into use. China is developing Shenzhen and other special economic zones as an invitation to foreign investors.

Assessment

Sources

"Shenzhen's Mayor on the Progress of the Special Economic Zone." Xinhua (Beijing), 24 October 1985, in Summary of World Broadcasts (London), 2 November 1985, pp. C4-5.

Item Date

85/10/00

RECORD: 137

Objectives

ECONOMIC

Subobjectives

structure

Indicators

In a 23 October 1985 meeting with a delegation from Time Inc. of the United States, Deng Xiaoping stated that "reform is the only way out for China, the road leading to development and prosperity." For the past 7

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years, China has been carrying out modernization programs. While emphasizing the socialist economic model, China has borrowed some capitalistic methods to accelerate the growth of productive forces. China's past experience shows that a planned economy alone tends to retard development. The combination of a planned economy with market forces is expected to free the productive forces and accelerate development.

Assessment

A socialist economy is a planned economy, but a socialist economy with Chinese characteristics is a planned market-oriented economy based on public ownership and the law of value. The current policy of "socialism with Chinese characteristics" calls on the government to turn from issuing simple administrative orders and plans to laying down basic guidelines for development of enterprises.

Sources

China Daily (Beijing), Vol. 5, No. 1327, 24 October 1985, p. 1.

Item Date

85/10/24

RECORD: 142

Objectives

ECONOMIC

Subobjectives

special economic zones

Indicators

The four special economic zones of Shenzhen, Zhuhai, Shantou, and Xiamen were established in 1979 as concessions for foreign investors. Shantou and Xiamen suffer from poor transport and telecommunications and lack an industrial and commercial base of any size, resulting in slow progress in those SEZs. Since 1979, Shenzhen has received about US\$600 million in Hong Kong and foreign investment. In 1984, Shenzhen's industrial output was valued at US\$465 million, 20 times the 1979 figure. The SEZs have been openly criticized in China, for "allowing capitalism to return by the back door" and receiving substantial concessions not available to other Chinese cities, while failing to win overseas markets and showing a net loss of foreign exchange reserves. In mid-1985, China began to rethink its attitude towards the SEZs. Deng Xiaoping warned that the SEZs were still experimental, subject to revision and amendment. The 14 coastal cities designated in 1984 as open ports, where direct foreign investment would be authorized on conditions very similar to the SEZs, were

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reduced to four--Shanghai, Tianjin, Dailian and Guangzhou in July 1985.

Assessment The establishment of the SEZs is a major step toward increasing foreign trade and scientific and technological exchange, and providing a better environment for foreign investment. The SEZs are still in the experimental stage and China is willing to make adjustments such as banning currency transactions by local units and reducing foreign imports. The Chinese leadership believes that the advantages of SEZs surpass their problems.

Sources "Let A Few Flowers Bloom," South (London), No. 61, November 1985, p. 131.

Item Date 85/11/00

RECORD: 139

Objectives ECONOMIC

Subobjectives price reform

Subobjectives special economic zones

Indicators Following the initial success of the four special economic zones (SEZs), China decided to open 14 coastal cities as economic and technical development zones (EDZs) to accelerate economic reform and usher in a new stage of the open-door policy. The EDZs will focus on establishing joint ventures and cooperative enterprises, and attracting foreign capital and foreign-owned business. The SEZs and EDZs are compatible with a highly developed commodity economy. China is gradually establishing a sound tax system, so that state and collective enterprises, joint ventures and foreign businesses can compete in the market on equal terms. Price reforms will free most prices and bring zone prices in line with international market prices.

Assessment The SEZs and EDZs will boost significantly China's economic reform and the four modernizations. Although the SEZs have been in existence for less than 6 years, their record in capital construction is impressive. Shenzhen has become a modern industrial and commercial city and Xiamen has completed a large number of urban development projects. These achievements have been obtained with relatively limited domestic capital. The zones have become laboratories for China's economic reforms and provide valuable experience in price reform, wage reform, and capital construction. The rapid

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industrialization of the zones has made them important markets for raw materials and agricultural products from interior cities. SEZs and EDZs have allowed China to attract foreign capital, import advanced technology, and benefit both the foreign businesses and China's economic construction.

Sources

Su Yuanhan. "Some Theoretical Issues Concerning Special Economic Zones and Economic Development Zones", Guoji Maoyi Wenti (Beijing), No. 4, July-August 1985, in JPRS-CEA-85-099, 8 November 1985, pp. 58-69.

Item Date

85/11/08

RECORD: 150

Objectives Subobjectives Indicators

ECONOMIC

research

In May 1985, Premier Zhao Ziyang formed a brain trust in the State Council--the Technological and Economic Research Center. The Center is to make scientific analyses and forecasts on "China in the Year 2000." The center, made up of nine social and natural scientists, produced a 12 part report on the Chinese population and employment, China's economy, popular consumption, science and technology, education, resources, energy, environment, agriculture, communications and transportation, international environment, and a general qualitative analysis of China in the year 2000. The report predicted that by 2000, China's population will increase by 200 million to 1.2 billion who will be enjoying a better lifestyle than today. The scientists predict that China will rank fifth or sixth in the world economically. However, employment pressures will become heavier; education, science and technology will lag far behind economic requirements; transportation, telecommunications, and energy will seriously restrict national economic development; and there will be a shortage of land. The specialists pointed out that in order to realize these economic goals, three conditions are necessary: a peaceful international environment; a stable and unified domestic political situation; and perseverance in the reforms.

Assessment

The research report "China in the Year 2000" presented an overall qualitative and quantitative forecast of China's conditions in

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2000. The research was listed in the Sixth 5-Year Plan as a key state scientific research project and the Chinese leadership adopted the findings in this report in the designing of the proposed Seventh 5-Year Plan and other reform policies.

Sources

Xinhua (Beijing), 23 November 1985 in
JPRS-CEA-85-113, 31 December 1985, pp. 1-5.
85/11/23

Item Date

RECORD: 143

Objectives Subobjectives Indicators

ECONOMIC
structure

On 23 October 1985, at a meeting with a group of American businessmen, Deng Xiaoping stated that, "while retaining the common characteristics of socialism, we have also adopted some capitalist ways." China is integrating some elements of the market economy into its planned economy in order to speed up economic development. The Chinese have come to realize that the socialist economic structure alone can not develop China's economy, so they are absorbing foreign capital and allowing the individual economy to develop. Problems still remain, but the Chinese leadership is implementing new reform policies to correct past mistakes. Rural reform has been successful and urban reform is showing progress after one year. Deng expects that results in urban reform will take 5 years. But the Chinese leadership is confident that reform is the only road to bring China to prosperity.

Assessment

The Chinese leadership is continually adjusting reform policies to solve problems which occur. They believe that economic reform is the only way to feed the one billion Chinese and catch up economically with the developed nations of the world--only the method and speed at which the reform policies are to be implemented remain in question. The Chinese are willing to incorporate capitalistic methods into their socialist economic construction and four modernizations. Only time will tell whether or not the integration of the market economy into the planned economy will create a successful new formula for a socialist economy with Chinese characteristics.

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Sources "Deng Xiaoping on China's Economic Reform."
Renmin Ribao (Beijing) 18 December 1985, p. 2.
in FBIS/China, 19 December 1985, p. K1.
Item Date 85/12/18

RECORD: 151

Objectives ECONOMIC
Subobjectives agriculture
Indicators Since the beginning of rural reform, the Chinese Communist Party has been issuing a "Document No. 1" at the end of every year to chart the course of development for the year ahead. "Document No. 1" at the end of 1985 indicated the policy of negotiating contracts for the state's grain purchases and allowing farmers to sell their surplus grain in the market. The new system which replaced the mandatory procurement of grain by the state in the previous years, was deemed major step forward the making of production responsive to market demand. In 1986, the township industries will be allowed to continue to develop, and more new technology will be applied to the development of agriculture. Although grain production showed a minor drop in 1985 due to bad weather, planned reduction of agricultural acreage, and, in some cases, higher production costs. The townships and local governments are granting more favorable credit terms to reduce the production costs. The party's rural economic policy in 1986 is to continue rural reform, focusing on a steady and balanced growth.

Assessment Farmers are in favor of rural reform policies, because they improve the rural economy. Therefore, the new "Document No. 1" for rural reform in 1986 will be fully supported by the farmers. A more active rural commodity economy and a continuing improvement in rural economy can be expected in 1986.

Sources "Rural Reform Presses On" China Daily (Beijing), 11 January 1986, p. 4.
Item Date 86/01/11

RECORD: 21

Objectives GOVERNMENT
Subobjectives bureaucratic efficiency
Indicators China's first talent development corporation is established in Taiyuan, Shanxi Province, in Sept. 83. The corporation supports itself by offering technical consultancy services and

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technology transfer. It supplies information and experimental equipment to those who come to it for help, and calls in specialists to aid applicants whose scientific ideas it deems practical. The corporation was funded by a grant from the Shanxi Provincial Government. The corporation also offers training courses. Since this center was founded in Sep 83; it is probably too early to tell if the effort has been successful. See Record 7.

Assessment

Sources "Shanxi sets up talent development corporation." Ta Kung Pao Weekly Supplement (Hong Kong), 16 Feb 84, p. 7.

Item Date 83//0/9/

RECORD: 4

Objectives GOVERNMENT

Subobjectives rejuvenation of bureaucratic apparatus

Indicators New cadres are assigned and old cadres retreat to the second line as administrative restructuring is carried out.

Assessment Though "enormous results in the work regarding succession" have been achieved, many newly promoted cadres lack a free hand in their work since the old cadres have not assigned them all powers which they should have. Central authorities' guidelines are not always followed and many new cadres do not make decisions, preferring to ask old cadres since their opinions are still regarded as final. New cadres must be able to play a "leading role" and have powers corresponding to their posts. The average age of provincial leaders is lowered by 7.7 years, indicating some success in the rejuvenation of leadership.

Sources "Support New Cadres To Work Freely." Renmin Ribao (Beijing), 9 May 84, p. 1, in FBIS/China, 14 May 84, p. K19. "Streamlining to Focus on County-Level." China Daily (New York), 6 Jan 84, p. 1.

Item Date 83//1/2/

RECORD: 17

Objectives GOVERNMENT

Subobjectives organizational reform

Indicators One quarter of China's more than 2,000 counties are being administered from nearby cities as a new administrative system promoting integration of town and country spreads. These changes are part of a

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nationwide restructuring of the administrative system completed at the end of 1983 when 35 prefectures had been abolished, 368 counties put under the administration of nearby cities, another 22 counties incorporated as cities, and 40 county seats became independent areas in underdeveloped areas. The prefecture remains the administrative unit immediately under the province. In the new system, urban and rural production can be integrated with the city as the center and the country as the supplier of raw materials. This will strengthen economic ties between town and country, promote integration of agriculture, industry and commerce, and simplify administration.

Assessment The proposal to place production and commerce under unified guidance was made by Zhao Ziyang at the 5th NPC in Dec 82. A year later, only one quarter of the restructuring of the administrative system had been completed.

Sources "Counties set under cities to facilitate economy." China Daily (Beijing), 1 Mar 84, p. 1.

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RECORD: 5

Objectives GOVERNMENT

Subobjectives decentralization

Indicators Middle and lower levels of bureaucracy are given more leeway in the implementation of the reform effort.

Assessment The pace of reform is impressive, but there is resistance from much of the bureaucracy because the impetus is from the top leadership and it is the middle and lower levels of the bureaucracy that are responsible for implementation--and have the most to lose. Reforms threaten the power and prestige of traditional party bureaucrats because reforms favor experts over reds.

Sources Donald Zagoria. "China's Quiet Revolution." Foreign Affairs (New York), vol 62 (Spring 1984), pp. 879-904.

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RECORD: 10

Objectives GOVERNMENT

Subobjectives organizational reform

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Indicators	In 1984 China "reformed" county-level administrations and continued to separate commune organizations from rural township governments. The number of government institutions at the county level will be reduced by 30% and the number of officials will be cut by 20% when the reforms are completed.
Assessment	Reforms begun in 1982 to streamline the government structure are now complete at the national and provincial levels. The number of departments directly under a provincial government has been reduced from more than 60 to less than 40; the number of officials employed has decreased by 1/3. The number of provincial leaders has been reduced by nearly 1/2. Specialists, professors, and young professionals have been promoted to leading posts and the number of college-educated provincial leaders has been raised by 26.6%.
Sources	"Streamlining to Focus on County-Level." China Daily (New York), 6 Jan 84, p. 1.
Item Date	84//0/0/

RECORD: 28

Objectives	GOVERNMENT
Subobjectives	rejuvenation of bureaucratic apparatus
Indicators	At the provincial level, the average age of personnel dropped by 7-8 years.
Assessment	This age reduction has begun at the provincial and regional levels. The rejuvenation of bureaucratic apparatus has yet to be instituted at the lower levels--district, township, and others.
Sources	"Reshaping the Administration." China News Analysis (Hong Kong), no. 1260, 7 May 1984. pp. 1-10.
Item Date	84//0/0/

RECORD: 9

Objectives	GOVERNMENT
Subobjectives	decentralization
Indicators	The State Council is calling for an end to the traditional government monopoly of transport by allowing long-distance transport to be undertaken by rural collectives and individual peasants. The new rules allow transport inside or outside counties or provinces of major farm and sideline produce, provided state delivery and sales quotas are

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met. Products without government sales or delivery quotas will be allowed free transport. Collectives and individual peasants are not allowed to transport timber, cured tobacco and vegetables destined for large and medium-sized cities and industrial mining areas.

Sources

"State Monopoly Transport Ended." China Daily (New York), 10 Mar 84, p. 1.

Item Date

84//0/3/

RECORD: 30

Objectives Subobjectives Indicators

GOVERNMENT

reform of science institutes
Zhuzhou Electronic Research Institute--the focus of controversy in the reform of China's science institutes in the past few months--has been officially cited as a model of reform. The institute launched a program in 1981 designed to make itself independent of state subsidies, but ran into trouble in late 1983 because it earned 5 million yuan from the successful development of a microcomputer. The institute, challenged on its legal right to earn a profit, was ordered to slash annual bonus payments to its employees. This upset the reform in boosting personal incentives for the research staff, causing the institute to come to a standstill until Feb 84 when Zhuzhou became a topic of national interest because of Guangming Ribao's reportage of the controversy. The Hunan Provincial Government ordered the institute's bank account unfrozen in Mar 84. Hunan Province will give the institute complete freedom in business operations, personnel administration, and finance. There will be no restrictions on the amounts of bonuses and salaries can be adjusted yearly on a floating-wage basis. At the resolution of the controversy, the institute's director and his deputies were promoted.

Assessment

The reform of the Zhuzhou Electronic Research Institute was initiated in 1981. Reform efforts ran into trouble at the end of 1983, pointing to both a lack of progress in carrying out the reform and resistance. Zhuzhou's City Industrial and Commercial Bureau challenged the reform effort--finally resolved by the Hunan Provincial Government. This shows the city and provincial governments

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at odds with each other and the personnel from each level also fighting with the personnel at the science institutes. Reforms with freedoms granted to individual institutes will likely continue to meet resistance. See Record 79.

Sources "Promotions conclude institute controversy."
China Daily (Beijing), 15 Apr 84, p. 3.

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RECORD: 80

Objectives GOVERNMENT
Subobjectives tax reform
Subobjectives wage reform
Indicators A State Council circular said the ceiling on bonus payments in state enterprises will be abolished, but enterprises paying high bonuses will be subject to a sliding scale of taxation. The new bonus system will be adopted first by a few selected enterprises, then extended to all industries. The existing ceiling is a bonus payment approximating 2 1/2 months wages. Bonuses will be paid by enterprises that have fulfilled state production quotas, increased profits, and handed over more taxes to the state. Enterprises failing to meet quotas and whose profits and tax payments have declined will have their bonuses decreased or halted. This will end across-board bonus payments to everyone. Bonuses can be paid in new wage schedules, special allowances, or other forms--subject to the decision of the enterprises. The sliding scale of taxation on bonus funds aims at preventing inflation. Enterprises, not workers, will be taxed. Tax exemptions will be granted to enterprises whose total amount of bonuses is less than 2 1/2 months the average wage. A 30% tax will be levied on enterprises which pay bonuses equal to 2 1/2 to 4 months wages; a 100% tax on 4 to 6 months wages; and a 300% tax on those exceeding 6 months wages. The invention bonus, 10 special bonuses for saving raw materials, a bonus for suggestions on technical transformation, and a bonus for fast cargo handling so foreign ships sail ahead of contracted schedule, will be tax exempt.

Sources "Wage Bonus Ceiling Is Scrapped by State."
China Daily (New York), 24 April 1984, p. 1.

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RECORD: 91

Objectives
Subobjectives
Indicators

GOVERNMENT

Management Reform

The State will carry out pilot schemes for expanding the enterprise management power by introducing the factory director responsibility system in six large cities: Dalian, Changzhou, Beijing, Tianjin, Shanghai, and Shenyang. In Dalian and Changzhou, the pilots will be carried out in all enterprises; in the other four cities, the pilots will be carried out in selected enterprises. Similar schemes may also be carried out in some selected enterprises in other provinces, municipalities, and autonomous regions. The State Economic Commission said the pilot scheme will grant more management power to enterprises by adopting the factory director responsibility system with a view to solving the problem of insufficient authority of enterprise leaders in dealing with management matters, for expanding the decision-making power of enterprises in their own operation, and to enlivening their production and operation. Enterprises authorized to conduct the pilots must have accomplished enterprise consolidation and passed acceptance tests, have competent leading bodies, and have conducted production under normal conditions. The municipal people's governments of these cities will decide how many enterprises are to be selected for the pilots, which will be carried out with other measures for expanding enterprise management power.

Sources

"The System of Offering Greater Decisionmaking Power to Factory Directors Is Being Tested in Six Cities." Jingji Ribao (Beijing). in FBIS/China, 8 May 84, p. K7.

Item Date

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RECORD: 15

Objectives
Subobjectives
Indicators

GOVERNMENT

democratization

The NPC Standing Committee reports that of China's 2,780 counties and county-level constituencies, about 65% (1,812) have conducted elections of people's deputies. Some 500 have convened people's congresses where new leading bodies of the congress and local governments were elected or appointed. It is the second time direct county and township elections have been held in China (1st in

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1980). Though the term of office of previous county-level people's congresses elected in 1980 expired in 1983, the NPC Standing Committee decided in Sep 83 that the second direct elections could be postponed until 1984 because of the changes in the nationwide effort in administrative streamlining.

Assessment Delay in county-level elections due to streamlining efforts.

Sources Xinhua. "People Deputies Elected in 65% of Counties." China Daily (Beijing), 15 May 84, p. 1.

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RECORD: 79

Objectives GOVERNMENT

Subobjectives reform of science institutes

Indicators Beijing Ribao reports the contract system adopted in 1983 by 20 Beijing science institutes has led to expanded areas of research, increased income, and greater self-reliance. The institutes can select topics for research, and reward and punish by bonus and disciplinary sanction. Reform has improved the practical application of research findings to production. The number of cooperative ventures with manufacturers increased 41% in 1983 over the previous year. There is no ceiling for either the bonus or reduction allowed under a production quota system. Skilled personnel may change jobs since no one can expect to hold a leading position for life. Enterprises may sign contracts with scientists who can be released or resign when leases expire. Enterprises can reject appointed leaders. Leaders of enterprises at or below the county level should be elected, subject to approval of departments above them.

Assessment See Records 22, 30.

Sources "Beijing institutes try new contract system reform." China Daily (New York), 2 May 84, p. 3.

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RECORD: 6

Objectives GOVERNMENT

Subobjectives bureaucratic efficiency

Indicators A training course for mayors and deputy mayors (second of its kind) opens in Beijing in Jun 84. The 2-month course on urban

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planning, management, and construction will stress suitability to Chinese conditions. Fifty-one percent of the enrollees are college graduates. The average age is 44, the oldest student is 56, youngest is 39. The course is sponsored by the Organization Department, CCP CC, Ministry of Urban and Rural Construction and Environmental Protection, and the China Association for Science and Technology. Four courses are planned to train mayors and deputy mayors of 245 cities. The first course's enrollees represent 78 cities.

Assessment As the first of four planned courses, training will have a long way to go before the effect is felt on China's bureaucracy. The course seeks both to educate mayors and deputy mayors in urban planning, management, and construction, and have enrollees be better educated and younger than many of the officials in place prior to the reform effort.

Sources "Training Class for Mayors Gets Under Way." China Daily (New York), 13 Jun 84, p. 3.

Item Date 84//0/6/

RECORD: 7

Objectives GOVERNMENT

Subobjectives bureaucratic efficiency

Indicators The Ministry of Labor and Personnel created a Talents Exchange and Consultation Center in Beijing to use the potential of China's technically trained and highly skilled work force. The center will move people from jobs where their talents are underused, to places where they are needed. The center will recruit professionals and technicians to serve as part-time advisers to enterprises, coordinate the transfer and borrowing of technicians between units, and be a go-between for units lacking skilled personnel and those with a surplus. The center will provide the training to create a more skilled and professional work force. Those who wish to work part-time for the center need permission from their units.

Assessment This is the third such center established; the other two are the Professional Service Corporation in Liaoning and the Talents Exchange Service Center in Guangdong. There is also a talent development corporation in Shanxi Province. The Beijing center seeks to aid reform in changing China's inflexible personnel management system though many more

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efforts, stringent controls, and checks and balances will be needed to assist the centers in realizing even part of their potential. See Record 21.

Sources "Service Center Created to Make Use of Talent." China Daily (Beijing), 8 Jun 84, p. 3.
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RECORD: 18

Objectives GOVERNMENT
Subobjectives bureaucratic efficiency
Indicators China's personnel system needs ongoing reform to cope with modernization. Obsolete ideas in the existing personnel system must be eliminated because there is overcentralized control from above. Personnel system reform must be coordinated with changes in the economic system, labor and wage scales, and education. Steps will be taken when feasible until comprehensive reforms are possible. Government authorities will give grassroots units and enterprises more autonomy to make it possible for them to initiate reforms. The focus will be on the discovery and employment of talented, competent people. The Ministry of Labor and Personnel has established a center in Beijing to exchange specialized personnel.

Assessment Reports that more initiative must be given to grassroots units and enterprises resisting reform and that steps should be taken where feasible until comprehensive reforms are possible by the personnel responsible for instituting them. This is additional evidence of resistance to personnel system reforms.

Sources "Personnel Reform 'Key to Success.'" China Daily (Beijing), 26 Jun 84, p. 3.
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RECORD: 20

Objectives GOVERNMENT
Subobjectives decentralization
Indicators Renmin Ribao (Beijing) reports Beijing Municipality's reform of the management of retail and service enterprises with profits of less than 200,000 yuan per year. Ownership will remain with the municipality but enterprises will receive greater decision-making powers by signing contracts with rights and responsibilities spelled out. Contracts may be signed with individuals or

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groups acting collectively. Enterprises can recruit more workers under contract or hire them provisionally and in accordance with the streamlining of personnel organs, they can set up offices and employ personnel according to actual need.

Assessment These commercial reforms are being introduced in Beijing Municipality, and only in certain enterprises.

Sources "Beijing Introduces Commercial Reform." China Daily (Beijing), 9 Jun 84, p. 2.

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RECORD: 95

Objectives GOVERNMENT

Subobjectives organizational reform

Indicators To accomplish socialist modernization and consolidate the people's democratic dictatorship, it is necessary to separate government administration from commune management and establish organizations of State power at the township level. The task of establishing these basic-level organizations is expected to be completed all over China by the end of 1984. By the end of 1983, 22,897 townships had been established throughout China, of which 233 were minority nationality townships. The commune's previous function as a grassroots political unit will be assumed by these township governments. However, the township organizations will need to attend to economic work since economic construction is the focus of work of the Party and State and there are no exceptions for organizations at any level. Township governments manage economic work in their respective administrative areas though they will not directly control production, management, and other concrete matters of collective economic organizations (as did the people's communes). The township governments are charged with protecting the legitimate rights and interests of the collective economy, and encouraging, guiding, and helping its development, while supervising the collective economy to ensure its acceptance of the guidance of the State plan and its abiding by relevant laws.

Assessment See Records 90, 96.

Sources Zhang Youyu. "Setting Up Organizations of State Power at Basic Level." Beijing Review, no. 23, 4 Jun 84, pp. 22-23.

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Item Date

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RECORD: 31

Objectives
Subobjectives
Indicators

GOVERNMENT

tax reform

China's State-owned enterprises will operate independently and pay taxes instead of giving all earnings to the State in return for all bills being paid. Enterprises will watch their own finances and face competition. Enterprises that cannot pay taxes and fail to improve within the grace period will have to go out of business. This will be the main thrust of the 2d step of fiscal reform scheduled to begin in Oct 84. The proposed tax reform is both a public finance measure and a step in restructuring the urban economy. The change will remove enterprises from state protection and free them from state restrictions. Seven kinds of taxes will be introduced aimed at ameliorating the irrationalities in China's relative prices so that state-owned enterprises can compete on a more equal footing. The 55% income tax on profits, levied in Jun 83 as the 1st step toward a tax system, will be continued in addition to a regulatory tax (a new concept and measure pending price reforms) levied on those with a large after-tax profit (rate set on a case-by-case basis).

Assessment

This measure is but a 2d step in the fiscal reform program that has a long way to go. China's leaders realize many more innovations and reforms (especially price reforms) are needed to realize a total fiscal reform package. Enterprises have also been warned not to take advantage of the changes to raise prices. It has been noted that China has tried in many ways to improve state finances and promote production in the past 5 years. The article also notes that the contract system (whereby enterprises sign profit-sharing contracts with the state every 3 to 5 years) involves "endless bickering between the state and enterprises over how much each should get" and that differences in contracts leads to dissatisfaction among enterprises and regions. This is an example of a reform that has already caused dissatisfaction and problems. See Record 34.

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Sources Qin Xiaoli. "State Tells Enterprises to Support Themselves." China Daily (Beijing), 11 Jul 84, p. 1.
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RECORD: 36

Objectives GOVERNMENT
Subobjectives management reform
Indicators Vice Minister of the State S&T Commission, Yang Jun said 5 measures to promote mobility among China's scientists and engineers could be implemented immediately. The present system of planned job assignments will be combined with a system whereby units can offer employment to highly qualified scientific personnel--ensuring a rational flow of expertise to needy areas and enterprises, while simultaneously controlling the undesired flow of talent to major cities. The State S&T Commission will try the new system in Shanghai, Chongqing, Xiangfan, and Changzhou, and in a number of units under the Chinese Academy of Sciences, and the Chinese Academy of Social Sciences. A national exchange center for science and technology to tap human resources will be established immediately and provincial and regional S&T commissions are urged to set up similar centers when conditions are "ripe." Post-doctoral intermediate work-stations will be established--and graduate students will work in these temporary posts for 2-4 years prior to reassignment to more permanent jobs according to national needs. The assignment of graduates and scholars who have studied abroad will be improved and job preferences taken into account as long as they do not conflict with national personnel needs. Appropriate adjustments wherever scientific personnel are not being used properly will be made--provincial S&T commissions will look into overstaffing or improper assignments of scientific personnel and intervene when necessary. Scientific personnel include visiting scholars and college graduates and post-graduate students who have studied abroad.

Sources "State plan to improve flow of scientists." China Daily (Beijing), 24 Jul 84, p. 1.
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RECORD: 47

Objectives	GOVERNMENT
Subobjectives	management reform
Indicators	He Dongchang, Minister of Education, points out the need to correctly distinguish the authority to central and local governments and educational and other administrative departments in managing institutes of higher learning. This will improve the overconcentration of power and excessive restrictions in the management of institutes of higher learning. Administration must be simplified and power delegated to lower levels. The "malady of egalitarianism" must be overcome by making all institutes of higher learning do a good job in assigning personnel and setting up a system of personal responsibility.
Sources	Shanghai Xinhua Domestic Service. "He Dongchang Discusses Higher Education Reform." in FBIS/China, 5 Jul 84, pp. K4-5.
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RECORD: 58

Objectives	GOVERNMENT
Subobjectives	bureaucratic efficiency
Indicators	The separation of government administration from enterprise management will place the state in the position of organizing and directing the national economy. The State will formulate national economic development strategies as well as short-term and intermediate development plans; exercise overall control on proportional relations such as accumulation and consumption; rationalize the national economic structure and be responsible for its future development; formulate economic regulations and supervise their enforcement; guide economic organizations whose members are all the enterprises in the same trade; implement comprehensive development plans; carry out organizational and coordination work that affects several trades at a time or the overall situation; and use economic levers of taxation, investment, subsidies, credit, pricing, and so forth to ensure the overall balance and steady development of the national economy. These economic management functions should be directed and coordinated according to the degrees of socialization of the enterprises and the distribution of

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enterprises of different sizes at different levels by the State Council, provincial governments, and key cities where they are located. Principal functions and duties of other levels of local governments are to make a success of local construction, public utilities, and administration, properly maintain public order, safeguard enterprises' productive economic activities and their legitimate rights and interests, and better serve economic construction.

Sources

Chen Bingliang. "Separating Government Administration From Enterprise Management Is a Vital Component of Urban Reform." Guangming Ribao (Beijing), in FBIS/China, 6 Aug 84, pp. K13-14.

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RECORD: 94

Objectives Subobjectives Indicators

GOVERNMENT

management reform

Beijing Municipality has decided to implement major scientific and technical management reforms. By the end of 1985, 50 units in the municipality engaged in the development of technology and spreading the application of scientific research, will begin a compensation contract system. Thirty scientific research units engaged in non-technical development will try a science and technology funding system. There will be 10 temporary measures for the experimental units including: a system of jobs based on talent; within the scope of compensation contracts, units will be able to use the results of their own research or transfer it to others; the ability to reward workers for truly outstanding contributions; job mobility regardless of rank, and as far as it accords with national regulations, discretionary power over their funds and the ability to make rational adjustments in the use of these funds. These scientific research units will use nationally-selected enterprises' funds for funding scientific and technical development. The relationship between higher-level departments and scientific research units will be contractual, rather than administrative, and research units will gradually become more technical. In the experimental funding system, nationally selected enterprises will

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progressively shift to funding science research units which will submit proposals for funds for certain tasks; the responsible department will send out invitations for bids and then select the best.

Sources Huang Wei. "Beijing Municipality to Carry Out Major Reforms in its System of S&T Management; 80 Scientific Research Units Will Try Out a System of Compensation Contracts or a Funding System." Renmin Ribao (Beijing), 16 Jul 84, p. 1, in JPRS. China Science & Technology, 84-036, 6 Nov 84, pp. 5-6.

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RECORD: 38

Objectives GOVERNMENT
Subobjectives management reform
Indicators Qiao Shi, Head, Organization Department, CCP CC, announced that a system of fixed working terms for factory directors will be instituted in more than 3,000 major State-owned enterprises beginning in 1985. The new measure will be introduced gradually in other factories and business establishments. The term of office for factory directors in general will be 4 years; they may continue to hold their posts if endorsed by the workers' congress at their plant. They may submit resignations if proven incompetent or be removed from office through legal procedure by the workers' congress.

Sources "Directors' Life Tenure to End." China Daily (Beijing), 28 Aug 84, p. 1.

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RECORD: 55

Objectives GOVERNMENT
Subobjectives management reform
Indicators Reforming the management system of the machine-building industry will separate government from the enterprises, which will be placed under lower administrative levels. This will end the previous system whereby the machine-building industry was managed by various departments and administrative levels. The enterprises' decision-making powers will be expanded, government will be streamlined at various levels, and authority delegated to lower-levels--resolving the problem of separated regions and departments, removing barriers between different regions and

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departments and developing various forms of association and specialized cooperation. The Ministry of Machine-building Industry will become a functioning department of the State Council in charge of the machine-building industry throughout China and will be mainly responsible for managing principles, and policies, overall planning, overall balance, coordination, and service supervision--geared to the needs of the industry as a whole.

Assessment See Record 65.
Sources Beijing Domestic Service. "Machine-Building Industry Reform Viewed." in FBIS/China, 24 Aug 84, p. K14.
Item Date 84//0/8/

RECORD: 65

Objectives GOVERNMENT
Subobjectives management reform
Indicators Xinhua reports the State Council approved a reform program aimed at speeding up industrial development in the Ministry of Machine Building. The program seeks to boost integration by breaking down barriers between administrative regions and various departments and expanding specialized production. All enterprises managed by the ministry will be run by major cities by the end of 1985 as will other machine-building plants under other departments. Machine-building bureaus in all provinces and autonomous regions will no longer manage enterprises because enterprises will receive greater powers of decision over their own funds and be allowed to conclude deals with overseas firms. The ministry will formulate policies and draw up overall development plans rather than function as administrator. Capital goods trade centers will be established in 1985 to stimulate distribution of products and raw materials. New companies will be established to bid for engineering contracts and transregional economic units will be set up to combine research and production.

Assessment See Record 55.
Sources "Machine-building Industry Set for Major Shake-up." China Daily (Beijing), 24 Aug 84, p. 1.
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RECORD: 66

Objectives	GOVERNMENT
Subobjectives	management reform
Indicators	Vice Minister of Light Industry Ji Long reports approximately 70% of collective enterprises under his ministry have adopted the new contract responsibility system. An August 1984 survey of 35,526 collective enterprises shows their total output value reached 24,516 million yuan in the first 7 months of 1984--10.9% more than the comparable 1983 period, and that 2,800 million yuan of profits and taxes were delivered by these enterprises, an increase of 12.4%--higher than those state-owned enterprises under the ministry.
Assessment	The new contract responsibility system was introduced in early 1983 and is now operating in more than 42,000 collective businesses registered with the Ministry of Light Industry.
Sources	"Contract System Brings More Profits to Collective Enterprises." Ta Kung Pao Weekly Supplement (Hong Kong), 6 Sep 84, p. 3.
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RECORD: 71

Objectives	GOVERNMENT
Subobjectives	tax reform
Indicators	Wang Bingqian, State Councillor and Minister of Finance, told a national conference on treasury management that control of the State Treasury will be tightened while other sectors of the economy enjoy more flexibility. The goal of treasury management is to help create, collect, and use funds for the four modernizations.
Assessment	Current economic reforms have meant that treasury management is increasingly faced with unfamiliar situations because more and more collectively owned enterprises, self-employed businesses, joint ventures using both Chinese and foreign capital, and foreign businesses are becoming taxpayers. China now has 21 kinds of taxes; before tax reform there were 14.
Sources	Qin Xiaoli. "Tighter control for State Treasury." China Daily (Beijing), 1 Sep 84, p. 1.
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RECORD: 43

Objectives	GOVERNMENT
Subobjectives	organizational reform
Indicators	A "downward extension of the central party and state apparatus" is necessary to ensure the success of the reform movement. Provinces have reduced the number of top officials, and abolished or consolidated administrative agencies. In late 1983 this process was extended to the prefectural, county, and municipal levels and the jurisdiction of many small- and medium-sized cities was expanded to include the surrounding rural areas. By early 1984 more than 1/4 of China's 2,000 counties were under the administrative jurisdiction of a neighboring city; 22 counties directly absorbed by cities; and 35 prefectures abolished. Administrative functions have been removed from commune authorities and recentralized in newly reestablished township governments. China is also experimenting with the idea of economic macroregions; though they remain in the planning stage.
Assessment	Trend toward cross-provincial economic contact and cooperation. Local reforms have reduced bottlenecks in the supply of agricultural commodities and light industrial raw materials to cities and improved the flow of consumer goods to the suburban peasant.
Sources	Christopher M. Clarke. "China's Reform Program." Current History (Philadelphia), Sep 84, pp. 254-256, 273.
Item Date	84//0/9/

RECORD: 61

Objectives	GOVERNMENT
Subobjectives	reform of science institutes
Indicators	The first group of 505 technological development institutes has been designated. The institutes will operate under a new system of repayment contracts, replacing the former practice of grants allocated by the state. Institutes will be required to reorientate themselves to society, apply research results to production units, and maintain their operations on a financially independent basis. Research will be encouraged to serve national construction and increase the mobility of scientific workers among various departments and regions. China's scientific research system aims to integrate research with production and bring the initiative of

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scientific workers into play. The state is planning to change the method of fund allocation to institutes of basic and applied research and new technology. Funding priority will be given to research projects judged of great value to the national economy.

Assessment See Records 19, 22, 93.

Sources Beijing Xinhua. "Xinhua Reports New Research Contract System." in FBIS/China, 13 Sep 84, p. K15.

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RECORD: 93

Objectives GOVERNMENT

Subobjectives reform of science institutes

Indicators Xie Shaoming, Director, Scientific Management Bureau, State Science and Technology Commission, said China's 505 technological development institutes are being reorganized in a move more suited to the needs of society. These reorganized institutes will apply their research results to production units and maintain independent financial accounting systems. Scientists will be paid according to their contribution to production--a "payment for results" system. It will be easier for scientific workers to transfer from one department or region to another--enhancing initiative and enabling income to keep up with contributions. Research will be aimed at serving China's development. The state plans to change the mode of fund allocation for institutes of basic and applied research and new technology with priority given to research projects judged the most valuable to the national economy. In recent years, many integrated research-production entities, technological-development companies, technical-service centers, and technical fairs have sprung up in China, playing an important role in solving the technical problems of local enterprises.

Assessment Under the new system, 20 scientific institutes in Beijing produced a 42% increase in research results in 1983 over 1982. This is a small step in channeling research results into production. See Records 19, 22, 61, 79.

Sources "Funding Scheme to Make Full Use of Scientific Skills." China Daily (Beijing), 15 Sep 84, p. 1.

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RECORD: 34

Objectives	GOVERNMENT
Subobjectives	tax reform
Indicators	As the 2d stage of the tax reform program, all local and central government departments should stop approval of profit-sharing contracts with enterprises as of 1 Oct 84. A State Council circular issued on 13 Jul 84 provides a number of measures for the changeover and stipulates that all enterprises be brought under the taxation system.
Assessment	China has tried many ways of improving state finances and promoting production in the past 5 years. One trend in reforming revenue policy was adopting a contract system where the enterprise signs a profit-sharing contract with the state every 3 or 5 years. Most enterprises have changed directly to the taxation system and turn all profits to the State in return for having all their bills paid. There will likely be continued readjustments and experiments in the system of tax reform. See Record 31.
Sources	"Limitations for Profit Sharing Contracts." China Daily (Beijing), 21 Jul 84, p. 1.
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RECORD: 83

Objectives	GOVERNMENT
Subobjectives	bureaucratic efficiency
Indicators	A Renmin Ribao (Beijing) commentator's article says the majority of units have done well in structural reform, but some have not. The successful units have "...a feeling of complete freshness over their age, knowledge structure, and mental outlook, because their leadership groups are sharp witted and capable, the number of layers has been reduced, and their work efficiency has improved." Units that have not done well in structural reform have not been streamlined, and are slack and negligent.
Assessment	"Why is it that in some units the more reforms carried out, the more organs there are; the more cadres promoted, the more cadres there are; and still more administrative companies are set up after certain administrative bureaus have been abolished. . . . The key lies in whether reforms are genuinely carried out or just done for show. As for people who make verbal calls for reform while actually seizing the opportunity of

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reform to bore through loopholes and indulge in new malpractices, they fail to meet the most elementary demand for working in concert to build the four modernizations."

Sources Renmin Ribao (Beijing), 1 Dec 84, in FBIS/China, 3 Dec 84, p. K1.

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RECORD: 102

Objectives GOVERNMENT
Subobjectives Leadership
Indicators Since 1982 more than 80,000 young and middle-aged cadres have been promoted as leaders at the county level and above. In the 41 ministries and state commissions, the average age of ministers, vice-ministers and directors has been reduced from 65 to 59, and the proportion of college educated among them has increased from 38 to 50 per cent. These newly-promoted leaders have new ways of thinking, new working styles and new knowledge. The 1983 Party Central Committee plan to promote 1,000 younger cadres to provincial and ministerial levels is near fulfilment. Their average age is 43, and 90 per cent of them have a good standard of education in science, agriculture, economics, law or liberal arts. Another 30,000 people will be selected as reserve leaders of prefectures, cities and various bureaus.

Assessment It is predicted that these changes in the principles for the selection of cadres will bring more skill and competence to the leadership.

Sources "The Young Rejuvenate Leadership." China Daily (Beijing), vol. 4, no. 1086, 18 Jan 85, p. 4.

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RECORD: 101

Objectives GOVERNMENT
Subobjectives law
Indicators The constitution passed by the Fifth NPC provided the legal basis for the intensified reform of the economic systems. The 7th Session of the 6th NPC Standing Committee passed the forestry law and the law on drug management. Zhang Youyu, vice chairman of the NPC Legal Commission and president of the China Law Society, said: "Strengthening the legal system will benefit reform. As a result

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of the reform of the economic systems, more and more economic relations and acts need to be fixed in legal form. We must strengthen economic legislation, reinforce the trial and procuratorial work of economic cases and actively render legal service to economic construction. We must encourage and guide the collective and individual economies." China's legal system must be geared to the economic reform.

Assessment

Sources "Strengthen the Legal System and Accelerate Reform--An Interview with the Famous Jurist Zhang Youyu." Zhongguo Fazhi Bao (Beijing), 29 Oct 84 p. 1.

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RECORD: 90

Objectives
Subobjectives
Subobjectives
Indicators

GOVERNMENT
rejuvenation of bureaucratic apparatus
organizational reform
The people's commune "is fading into history as a governmental unit." By the end of 1984, more than 90,000 township governments had been set up to replace the government functions of the communes. Township governments are in place throughout China, save Tibet, where the change will occur in the first half of 1985. Township governments are responsible for administrative affairs and for making plans for the local economy, taxes, markets, disaster relief, public security, welfare, health, culture, and education. The people's communes will be in charge mainly of organizing production of local collectively run enterprises; farmers will be free to determine their own production. Township governments are usually composed of 10 officials serving 3-year terms. They are chosen from among young and educated farmers and return to farming after their 3-year terms if they are not re-elected. The average age of a township government leader is 35 to 40 years old--4 to 5 years younger than the average age of a people's commune chairman was. More than half of the new grassroots government leaders have a senior middle-school education.

Assessment In accordance with the draft Constitution of the People's Republic of China, the move to strip the people's communes of their government functions, leaving them solely as economic entities, began in 1982. In the past

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5 years, changes in rural areas resulting in flexible policies and the responsibility system, have made people's communes ill-suited to further development of agricultural production. See also Records 95, 96 which give different statistics.

Sources

"People's Communes No Longer Govern."
Beijing Review, no. 1, 7 Jan 85, p. 7.

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RECORD: 96

Objectives

GOVERNMENT

Subobjectives

organizational reform

Indicators

Minister of Civil Affairs Cui Naifu said efforts to establish township governments throughout China have almost been completed. Since Oct 83, 75,870 township governments have been set up, along with 700,000 villagers' committees, in the rural parts of all provinces, municipalities, and autonomous regions, save Tibet. Township governments will take charge of local administration and production plans and give the villagers' committees more autonomy over management and production at the grassroots level. Village committees consist of several subcommittees that mediate disputes, and oversee public security, and other public affairs. Each village committee has jurisdiction over one or two villages. The work of building township governments in Tibet is expected to be completed in the first half of 1985.

Assessment

See Records 90, 95. In the last 6 months of 1984, more than triple the number of existing township governments had been established throughout China. According to the Jan 85 Xinhua report, only parts of Tibet remain without these local governments.

Sources

Beijing Xinhua. "Township Governments Set Up." in FBIS/China, 7 Jan 85, pp. K17-18.

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RECORD: 118

Objectives

GOVERNMENT

Subobjectives

bureaucracy

Subobjectives

professionalization

Indicators

Two accomplishments stand out in Beijing's determination to rejuvenate and drastically reduce the size of the staff of China's ailing and bloated bureaucracy. One, 900 thousand aging cadres have given up their life tenure

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in the past five years. Two, in their place, more than 80,000 professionally competent middled-age cadres were promoted to responsible posts. According to existing rules, the vast majority of cadres must retire when they reach the age of 60 (for men) and 55 (for women). The highest form of retirement is to become advisors in their original outfits. Work is proceeding apace to select leaders among cadres in their 50s and 40s, or even in their 30s. In an interview with Ta Kung Pao, a senior Vice-Chairman on the Central Advisory Commission cited Hu Qili and Wang Zhaoguo in the CPC Central Committee and Vice-Premiers Tian Jiyun and Li Peng as qualified members of the the third echelon. All four are in their prime.

Assessment

A complete set of measures to effectively reform the present cadre system and answer all the needs of the changing situation in China has yet to devised.

Sources

Ta Kung Pao (Hong Kong), 14 February 1985, p. 1.

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RECORD: 140

Objectives

Subobjectives

Indicators

GOVERNMENT

ministries

In September 1985, five new government ministers, including new ministers of public security and state security, were appointed. Ruan Chongwu, 52, former Vice Mayor of Shanghai, was named Minister of Public Security in place of Liu Fuzhi and placed in charge of China's police force. Ruan is a former diplomat and Deputy Director of the Raw Materials Research Institute. Jia Chunwang, 47, former Beijing Deputy Party Secretary takes over from Ling Yun the Ministry of State Security. The Ministry of State Security handles espionage cases and investigates counterrevolutionary activities. Jia, a former party official at Beijing's Qinghua University, was also a former official of the Communist Youth League. Zhao Dongwan, 59, former Vice Minister of the State Planning Commission of the Ministry of Machine Building, is the new Minister of Labor and Personnel. He replaces Zhao Shouyi, who had held the post since May 1982. Qi Yuanjing, 56, the former Vice Minister of Metallurgical

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Industry and head of the Beijing Metallurgical Design and Research Institute replaces Li Dongye as Minister of Metallurgical Industry. Zhu Xun, 54, former Vice Minister of Geology and Mineral Resources, takes over the top job in that Ministry from Sun Daguang.

Assessment The appointment of the five new ministers reflects Deng Xiaoping's efforts to establish a new generation of younger and better-educated leaders to continue his reform policies. The new ministers are between 47 and 59 years old and replace men over 65, the newly imposed retirement age for government ministers.

Sources Asian Wall Street Journal (Hong Kong), 9 September 1985, p. 3.

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Objectives
Subobjectives
Indicators

MILITARY
modernization
To modernize fully even a portion of China's military would cost \$300 billion by 1985. Because such an expenditure would require massive infusions of foreign capital and equipment, military modernization occupies a low priority. While modernizing science and technology will eventually benefit the military, it is clear that military modernization will be a highly selective and slow process. China must upgrade research and development in laser, metallurgy, optics, communications, and computers; prepare her scientific-managerial infrastructure for research, development, and production; and train military personnel to use, maintain, repair, and refurbish new equipment.

Sources Hsu, Immanuel C.Y.. The Rise of Modern China. 3d ed. New York: Oxford University Press, 1983, pp. 839-841.

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RECORD: 120

Objectives
Subobjectives
Indicators

MILITARY
modernization
In the past six years, there have been significant changes in China's military system, and very few areas have been untouched by the reforms, which include changes in the size, organization, strategy, ideological

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

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orientation, and the technological capabilities of the CPLA. Deng's multiple goals in military streamlining, military force reduction, and administrative streamlining are to achieve modernization and regularization by cutting units with essentially non-military duties; getting rid of aged and incompetent officers; and reducing the political role of the CPLA. Chinese leadership has made it clear that literacy and technical proficiency are important prerequisites to future advancement within the military. By the end of 1984, all commanders of naval combatants, aircraft pilots and 70 percent of the officers from platoon commanders on up must be graduates of a military academy.

Assessment Due to continuing budget restraints on the Chinese military, reforms will proceed rather slowly in the near future.

Sources Dreyer, June Teufel. "China's Military in the 1980's". Current History (Philadelphia), Sep 84, p. 269.

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RECORD: 121

Objectives MILITARY

Subobjectives modernization

Indicators When asked whether China's recent reforms will lead to a different type of socialist economy, Deng said, "In carrying out our modernization programs we must proceed from Chinese realities. Both in revolution and construction, we should also learn from foreign countries and draw on their experience. But the mechanical copying and application of foreign experience and models will get us nowhere. We have had many lessons in this respect. We must integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build a socialism with Chinese characteristics - that is the basic conclusion we have reached after summing up long historical experience."

Assessment China's reform will lead to a socialist economy with Chinese characteristics.

Sources Deng Xiaoping: Speeches and Writings. Pergamon Press, Oxford, N.Y., 1984, p. 86.

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RECORD: 50

Objectives	MILITARY
Subobjectives	modernization
Indicators	Yang Dezhi, member CCP CC Political Bureau and Chief, PLA General Staff, urged commanders and fighters throughout the army to accelerate reform, seek truth from facts, and make reforms conforming with the army's special features. The starting point for reform is meeting the needs for future war and enhancing combat effectiveness. However, reforms must be made on the basis of existing equipment. It is necessary to link needs with possibilities and correctly handle the relationship between national economic construction and national defense work. Selective learning from the experience of foreign armies and promoting such experience in the CPLA is important. War preparedness must be carried out simultaneously with the reform effort.
Sources	Shijiazhuang Xinhua Domestic Service. "Yang Dezhi Discusses Accelerating Army Reform." in FBIS/China, 2 Jul 84, pp. K9-10.
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RECORD: 12

Objectives	MILITARY
Subobjectives	rejuvenation of bureaucratic apparatus
Indicators	The Air Force recently promoted a group of young cadres as deputy directors of second-level departments; the average age is 40, the youngest person is 30 years old. More than 80% of the newly promoted deputy directors have a college education or equivalent. Some are graduates of institutions of higher learning; others went to military academies or improved competence through self-study. All are experts in their own profession and are the "cream of the crop." Some have awards for work in scientific research. The second-level department of an air force organ is equivalent to an organ at the prefectural or divisional level.
Sources	Sun Maoqing. Xinhua Domestic Service. "Air Force Promotes Young Cadres to New Posts." in FBIS/China, 9 Jul 84, p. K16.
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RECORD: 13

Objectives	MILITARY
Subobjectives	professionalization

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Indicators Military sources disclose that more than 1,600 college graduates have been appointed PLA junior officers. The new military service law, adopted in 1984, enables suitable college graduates to be selected as officers. In 1983, after graduation from 100 institutions of higher learning countrywide the graduates were enrolled by different military academies to study military sciences. They also acquired the ability to command soldiers to fight battles under modern conditions.

Sources Beijing Xinhua. 20 Jul 84. "More College Graduates Appointed PLA Officers." in FBIS/China, 23 Jul 84, p. K7.

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RECORD: 23

Objectives MILITARY
Subobjectives professionalization
Indicators Graduates of military academies now predominate among senior army officers; 87% and 71%, respectively, at divisional and regimental levels. Under the new military service law, graduates of military academies are the main source of officers. Military sources report more than 100 military academies and schools train junior, middle, and senior commanders and military technicians.

Assessment Previously officers were promoted mainly from the ranks. This will be a slow process because it has been implemented only through the divisional and regimental levels. Additionally, students must have a good educational level to begin with if they are to receive higher training and then become effective, efficient, and modernized commanders. Progress at still higher levels must be meeting resistance since high-level officers have the most to lose.

Sources Xinhua. "Military Academies Fill Senior Officer Ranks." China Daily (Beijing), 26 Jul 84, p.1.

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RECORD: 113

Objectives MILITARY
Subobjectives reform
Indicators Since the 3rd Plenary Session of the 11th CCP Central Committee and especially since Deng Xiaoping took charge of the work of the

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Military Commission, China has carried out military reforms. The 12th CCP National Congress called for China to build the PLA into a powerful, modernized, and regularized revolutionary army. The modernization of an army is closely related to the political system, economic strength, military strategy, and scientific and technological level of a state. China has a large population, a poor foundation, and limited funds. Therefore, it should not blindly pursue large-scale and rapid modernization of the Army regardless of national economic conditions. China should further reduce the quantity and improve the quality of the Army. While reducing the standing army, China should build up the militia and reserve service. A modern military force requires cadres who are more revolutionary, younger in average age, better educated, and more professionally competent. China will emphasize education and training by strengthening education and training in military academies, successfully carrying out in-service training, and encouraging self-study. In the past, some "leftist" ideas had caused confusion in the area of army building. In the course of modernization, the Chinese army has achieved success, but it has taken crooked roads and learned historical lessons as well. The development of military science and technology requires farsightedness. Many scientific and technological discoveries and innovations have first resulted from military needs. Reforms affecting the overall situation should be decided on by the CCP Central Committee and the Central Military Commission and should be carried out under unified command. Bureaucracy and the practices of seeking personal gain by capitalizing on one's powers, of paying lip service, and of holding back unpleasant information, should be reformed immediately.

Assessment

To reform the Chinese Army, it is necessary to eliminate "left" deviation, to develop military science and technology, and to train younger, better educated cadres. China should not rely on purchasing advanced technological equipment to achieve national defense modernization. Nor can it afford it. China should develop modern military science and

CHINESE POLITICAL, ECONOMIC, AND MILITARY REFORMS

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technology and rely on its own strength to develop modern weapons and equipment. Now China is struggling to build a modernized army with special Chinese characteristics.

Sources Yang Shangkun. "Building Chinese-style Modernized Armed Forces." Red Flag (Beijing) in Chinese No. 15, 1 Aug 84, pp. 2-8.

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RECORD: 40

Objectives MILITARY

Subobjectives rejuvenation of bureaucratic apparatus

Indicators Deng Xiaoping has moved to retire aged commanders and recruit and promote better educated, younger, and more professionally oriented officers.

Assessment Visits by "highly qualified observers" to various military regions and districts point out that the "youth movement" has succeeded at the field force-level and that the young and ambitious have replaced the senile and incompetent.

Sources Christopher M. Clarke. "China's Reform Program." Current History (Philadelphia), Sep 84, pp. 254-256, 273.

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RECORD: 41

Objectives MILITARY

Subobjectives professionalization

Indicators China realizes its military doctrine needs rethinking and has changed to "people's war under modern conditions." This means changes in tactics, equipment, training, education, recruitment, command and control, and logistics. China has reestablished the military academy system which was halted during the Cultural Revolution and about 20 schools now have 4-year, college-level courses for CPLA officers. By the end of 1984, 70% of all officers, from platoon commanders up, will be expected to attend one of the hundreds of lesser academies. In the future, officers will not be eligible for promotion unless they have attended a formal military academy program. The PLA has also shifted its emphasis in troop training from anti-infantry to anti-tank warfare, from single-service to combined units, and from soldiers to officers. Combined-forces exercises have increased.

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Sources Christopher M. Clarke. "China's Reform Program." Current History (Philadelphia), Sep 84, pp. 254-256, 273.
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RECORD: 70

Objectives MILITARY
Subobjectives modernization
Subobjectives rejuvenation of bureaucratic apparatus
Indicators Yu Qiuli, Director, PLA General Political Department, told Xinhua the PLA has achieved tremendous success in its modernization program since Deng Xiaoping assumed charge of the Central Military Commission in 1978. The PLA has improved its equipment, raised the military and political quality of its officers, and increased its combat capabilities. There also has been progress on defense-related S&T research. Young and middle-aged senior officers have been promoted since 1983's leadership reorganization and most regimental commanders in the Air Force are now less than 30 years old.
Sources Xinhua. "PLA Improvements Cited." China Daily (Beijing), 18 Sep 84, p. 3.
Item Date 84//0/9/

RECORD: 92

Objectives MILITARY
Subobjectives professionalization
Indicators Over the next 5 years the Central Military Commission will increase by 650 million yuan (approximately \$US 320 million) its educational funding for military schools and colleges. The money will be used mainly for the development and manufacturing of simulated training apparatus, and for obtaining educational facilities. China now has more than 100 military technicians; the investment is an important step toward improving military education, training highly professional officers, and modernizing the Army.
Sources Beijing Xinhua. "Military Commission Increases Funds for Schools." FBIS/China, 26 Oct 84, p. K14.
Item Date 84//1/0/

RECORD: 74

Objectives MILITARY
Subobjectives professionalization
Subobjectives rejuvenation of bureaucratic apparatus

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Indicators	In remarks to the CCP Central Military Commission, Deng Xiaoping said older officers "must give way to younger, more competent leaders." Xinhua has reported the average age of regimental commanders is about 30, of division commanders about 40, and of army commanders, around 50. China's new military service law allows college graduates to receive an officer's appointment and be enrolled for additional training at a military academy after graduation. Some 1,600 college graduates received appointments in 1983.
Assessment	One of the difficulties in getting senior military leaders to retire is that they believe the rural reforms begun 5 years ago have threatened and undermined the social revolution in the countryside that the PLA fought for. They oppose the deemphasis of Mao Zedong Thought, stress on consumerism, and increasing foreign involvement in China. Senior military officials also lack faith in younger reform-minded officers whose competence is more technical than political. There have also been reports in Jiefangjun Bao on the handling of leftist attitudes and the results of programs that would negate the effects of the Cultural Revolution--suggesting disputes and factions still exist in PLA units.
Sources	Julian Baum. "China Looks for New Brass." Christian Science Monitor (Boston), 6 Nov 84, p. 9.
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RECORD: 75

Objectives	MILITARY
Subobjectives	rejuvenation of bureaucratic apparatus
Indicators	Younger PLA commanders (in place since the retirement of senior officers) have meant greater mobility to key command posts, and a change in strategic thinking. Younger officers are more likely to accept the new strategic thinking in place of people's war. "Age reduction" has also led to the reopening of military schools; 190 such schools are now operating. The new insistence on modern education and technical know-how is a key to PLA modernization efforts. Moreover, Deng Xiaoping has said the PLA will be a major partner in China's modernization plan.

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Assessment In February 1984 Hu Yaobang congratulated all military units for having streamlined their administrative organs and replaced or rotated their commanders. This task, set in July 1982, remains a first step towards a fully modernized military capability.

Sources "The Tiger Grows New Teeth: The Chinese Army and Its Reforms." China News Analysis (Hong Kong), no. 1274, 19 Nov 84, pp. 1-7.

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RECORD: 87

Objectives MILITARY

Subobjectives modernization

Subobjectives rejuvenation of bureaucratic apparatus

Indicators At a forum sponsored by the Central Military Commission, Deng Xiaoping urged the army to march in stride with China's economic reforms and actively participate in construction efforts. The national defense industry's capability must be fully tapped to realize the economic targets of the modernization program ahead of schedule. Army-trained technicians will be welcomed by local governments when they conclude their military service; their technical know-how will contribute to local economic development. The air force, navy, and the commission in charge of national defense technology should devote some of their resources to the development of the national economy. Several naval harbors should be opened for non-military use and others turned over entirely to civilian use to increase China's port capacity. The Air Force should divert some resources to civil purposes to improve civil aviation, and the national defense industry should produce more civilian goods. Deng also called for the promotion of more outstanding young and middle-aged officers to top army posts.

Assessment At this forum, Deng urged the army to support his reforms and called on the national defense industry to aid the civilian modernization effort. He noted that although the average age of officers below the corps level has been reduced in the past 2 years, the aging of top army leaders is still a problem; this is indicative of resistance to his reform efforts. Deng said the promotion of younger people is a high priority and older officers must give way to younger and more

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Sources competent ones. "I hope to see more open-minded people in the army."
"Deng Urges Army to Support Reforms."
Beijing Review, no. 46, 12 Nov 84, p. 6.

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RECORD: 116

Objectives MILITARY
Subobjectives industries
Indicators After the 3rd Plenary Session of the 11th CCP Central Committee, China Aircraft Accessory Institute brought its own technological superiority into play, shifted military-industrial technology to technology for civilian use, and achieved remarkable economic benefits. The institute used its technological superiority to select products for civilian use which were technologically difficult to develop and which were much-needed for the national economy. This is called "technologically similar and technically interlinked." Applying aircraft turbine expansion cooling techniques to the recovery of oilfield associated gas is one such example. Developing products for civilian use has increased the institute's income---the 1983 output value for products for civilian use increased more than 16 times over 1978. They have already been listed as a test point for the reform of scientific and technological systems, and they will completely eliminate funded operating expenses and achieve economic independence.

Assessment So long as the institute firmly grasps the principle of technological similarity and technical interlinking techniques and brings its technological superiority into full play when developing products for civilian use, the development of those products not only will not squeeze out products for military use, it will temper the scientific research ranks, increase the funds for scientific research, improve the lives of the technical personnel, and promote research on products for military use.

Sources Chen Zujia. "Achieving Economic Independence by 'Developing the Manufacture of Products for Civilian Use to Support the Manufacture of Products for Military Use;' A Visit to the China Aircraft Accessory Institute." Renmin Ribao (Beijing), 19 Nov 84,

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p. 3 in JPRS-CEA-85-032, 1 APR 84, pp. 129-132.

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RECORD: 86

Objectives
Subobjectives
Indicators

MILITARY
rejuvenation of bureaucratic apparatus
Forty officers at the corps level or above retired from the PLA General Staff in December 1984. Most of these officers were over the age of 60.

Assessment

This is a major step in the drive to rid the aging officer corps of veterans who have resisted Deng Xiaoping's military modernization campaign. Besides having an effect in the military, the CCP and government apparatus will also likely be affected since they also represent those "who have been fighting a rearguard battle against Mr. Deng's changes." In 1982 Deng shuffled the commanders of some of China's 11 military regions and simultaneously established rigorous new educational criteria for officer selection and promotion. Xinhua says China aims for "an age-pruned, well-educated and specialized armed force." Officers under 40 must have be a junior middle-school graduates by 1985 and a senior middle- school graduates (12th grade) by 1990.

Sources

John F. Burns. "40 High Officers Retire in China in Army Shake-up." New York Times, 31 Dec 84, pp. A1, A4.

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Objectives
Subobjectives
Subobjectives
Indicators

MILITARY
weapons
leadership
In 1982, Chinese shipyards built 1 million tons of merchant ships, an 11.9 percent increase over the previous year; by 1983, China had built up its merchant marine from 1 million tons into a modern fleet of some 10 to 11 million tons. This rapid expansion of the merchant marine will undoubtedly contribute significantly to the development of the navy. The Chinese navy is still deployed in a coastal defensive rather than a blue-water offensive posture. Deng is now 80 years old. The longer he lives, the better it will be for his proteges Hu Yaobang and Zhao Ziyang, and

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for the persistence of his policies, and for political stability in China. After he dies, China's domestic situation will likely change.

The groups that make up Deng's faction might splinter, and opposition to the Hu and Zhao forces might increase. Given such circumstances, the army would exert considerable pressure on Deng's successors to change their pragmatic policies. In any event, China's political stability will be based on a collective leadership and will be dependent on compromise among the various groups and factions. The military will continue to play a decisive role in China's political future, and the party will not have absolute control over the army.

Assessment

The longer Deng is able to stay, the more likely the process can become entrenched and institutionalized. In any case, after six years of reform, the policies seem to have met with some success, so it will be difficult to overturn them.

Sources

Wang, Shu-shin. "Revamping China's Military." Problems of Communism (Washington, DC), March-April 1985, pp. 111-117.

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RECORD: 112

Objectives

MILITARY

Subobjectives

problems

Subobjectives

leftist

Indicators

In August 1984, Yang Shangkun, vice-chairman of the CMC, spoke of "some PLA comrades who have not yet truly shifted their attention to modernization." Yang said the problem of eliminating "pernicious leftist influence" remains even among those officers who support the rectification campaign. The Party Central Committee decided to take a more lenient stance towards CPLA leftists since they are old enough to withdraw from their posts. There have been reports of regional military commanders in Shenyang, Nanjing, Tibet, Hainan, Dalian and Shanghai apologising to provincial party leaders for "past Left errors."

Sources

Lee, Mary. "The Economic Front." Far Eastern Economic Review (Hongkong), 21 Feb. 85, pp. 24-25.

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Objectives	MILITARY
Subobjectives	civilian
Subobjectives	airfields and ports
Indicators	The large number of military facilities that are playing a new and larger role in developing the national economy can be seen from the army and civilian joint use of many military airports, port wharves, and special railways and the opening of some restricted military areas. So far, a total of 47 airfields have been released by air force and navy aviation units for use by civilian aircraft. In addition the air force has turned over Shaanxi's Xianyang airport to local people. The navy has allowed civilian ships to jointly use 5 military ports and 12 military wharves from Lushun in the north to Zhanjiang in the south and has made active preparations to turn over 4 more wharves for local civilian use. In eastern China--- Jiangsu, Zhejiang, Anhui, Jiangxi, Fujian, and Shanghai--- alone scores of special railways have been opened for local civilian use and preparations are being made to open still more. According to incomplete statistics of the General Staff Department, the whole army has readjusted the disposition of a number of units under the division level and turned over or evaluated barracks totaling 190,000 square meters and land totaling 14,000 mu and closed or made less visible some 5,000 military fortifications. The PLA will make further efforts to support and take part in national construction.
Assessment	The army should consider the overall situation of national construction and release more forces to support and take part in national construction. Army and civilian joint use of military facilities should enable CPLA units to release more forces to support national economic construction.
Sources	Beijing Xinhua. "PLA Releases Airfields, Ports for Civilian Use." 17 Feb 85, in JPRS. China Political, Sociological & Military Affairs, 85-024, 13 March 85, pp. 112-113.
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Objectives	MILITARY
Subobjectives	streamlining
Subobjectives	economic

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Indicators Yang Dezhi, chief of the PLA general staff called for building a modern, revolutionary and regular army with distinctive Chinese features. Measures to be taken includes: streamlining the army to reduce the burden on the people; turning over 59 airfields, a number of naval ports, 39 military installations and many army camps to civilian use; dispatching large numbers of airplanes, naval ships and craft and vehicles to help with transport, tree planting, geological surveys, rescue and relief, and cloud seeding; planting 28.8 million saplings and air-seeding 330,000 hectares of land; training 600,000 soldiers in both military and professional skills; and assisting in constructing 1,100 national or local key projects and helping more than five million rural households develop commodity production.

Assessment The CPLA plays an important part in China's economic construction.

Sources China Daily (Beijing), vol. 4, no. 1148, 31 Mar 85.

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RECORD: 124

Objectives MILITARY

Subobjectives leadership

Indicators The present 11 military regions will be reduced to 7. Eighty percent of high-ranking cadres of the regions are new appointments. The trend is for the new military leaders to be better educated and more professionally competent. The commanders and political commissars assigned to the military regions are as follows: 1) Beijing Military Region: commander-Qin Jiwei (retained in his post), political commissar-Yang Baibing (formerly deputy political commissar of the Beijing PLA forces); 2) Shenyang Military Region: commander-Liu Jingsong (new appointment), political commissar-Liu Zhenhua (new appointment); 3) Guangzhou Military Region: commander-You Taizhong, political commissar-Zhang Zhongxian (new appointment); 4) Nanjing Military Region: commander-Xiang Shouzhi (retained in his post), political commissar-Fu Kuiqing (former political commissar of the Fuzhou PLA forces); 5) Jinan Military Region: commander-Li Jiulong (new appointment), political commissar-Chi Haotian

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(former deputy chief of the General Staff); 6) Lanzhou Military Region: commander-Zhao Xianshu (new appointment), political commissar-Li Xuanhua (formerly director of the Political Department of the Urumqi PLA forces); 7) Chengdu Military Region: commander-Fu Quanyou (new appointment), political commissar-Wan Haifeng (new appointment).

Assessment China's senior military officers are supporting the party's army reform decisions. The smooth reorganization of the command of the major military regions is intended to set a good example for the whole army to follow.

Sources Wen Wei Po (Hong Kong), 14 June 85, p 2, in FBIS-CHI-85-115, 14 June 1985, p. W1.

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RECORD: 125

Objectives MILITARY

Subobjectives demobilization

Indicators The Chinese government has decided to reduce the People's Liberation Army (PLA) by one million, or nearly one quarter of its force. Deng Xiaoping announced the massive demobilization at an enlarged meeting of the Central Military Commission on 4 June 1985. The decision will be gradually implemented over the next two years. Senior officers who attended this meeting voiced full support for the party's army reform decisions.

Assessment The announcement of the troop reduction is intended to indicate a desire for peace and to demonstrate strength and confidence. By cutting back on manpower and streamlining ranks, the army will become less cumbersome and more efficient, and combat-effective. The Chinese leadership indicated that China's defense requirements must be subordinated to those of economic construction. China must further develop the civilian economy before it can modernize the Army.

Sources China Daily (Beijing), v. 5, n. 1210, 12 June 85, p.1.

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RECORD: 126

Objectives MILITARY

Subobjectives reorganization

Indicators China has made an important decision on structural reform. The existing 11 military

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regions will be reorganized into 7, and major changes will be made in the leading bodies of the military regions. Among the 11 existing military regions, the three major ones -- the Beijing, Guangzhou, and Shenyang Military Regions -- will continue to exist. The Hubei Provincial Military District, which is subordinate to the Wuhan Military Region, and the Sanxia (Provincial) Military District (new), will be placed under the Guangzhou Military Region. The Wuhan Military Region (apart from the Hubei Military District) will be merged with the Jinan Military Region; the Urumqi Military Region will be merged with the Lanzhou Military Region; the Kunming Military Region will be merged with the Chengdu Military Region; and the Fuzhou Military Region will be merged with the Nanjing Military Region.

Assessment

Deng Xiaoping has made a decision to restructure and reorganize China's Armed Forces. The reorganization and reduction of the number of the military regions is an important measure of the leadership's military reform policy. The smooth implementation of the reorganization indicates general support among the senior army officers.

Sources

Wen Wei Po (Hong Kong), 12 June 85, p. 2, in FBIS-Chi-85-113, 12 June 85, W2.

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RECORD: 127

Objectives

MILITARY

Subobjectives

reorganization

Indicators

In the General Staff Department Yang Dezhi continues as chief of the general staff, but most of the former deputy chiefs have retired.

Only Xu Xin continues as deputy chief of the general staff. Xu Huizi and He Qizong, are newly appointed deputy chiefs of the general staff. Xu Huizi was formerly commander of 39th Army. Han Huaizhi, formerly assistant chief of the general staff, has been promoted to deputy chief of the general staff. In the General Political Department, Yu Qiuli continues as the director, but most of the former deputy directors have retired. Zhou Keyu and others have been appointed new deputy directors. In the General Logistics Department, Hong Xuezhi continues as director, but most of the former deputy directors have

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also retired. Only Xu Guangyi continues to hold the post of deputy director. The newly appointed deputy directors who have appeared in public are Zong Shunliu and Zhao Nanqi. Ding Henggao has been appointed to head the Commission of Science, Technology, and Industry for National Defense. Shen Rongjun and Xie Guang, have been added to the commission and Nie Li (female), a former deputy, has already been transferred to be the deputy head of the newly established State Council Leading Group for Reinvigorating the Electronic Industry.

Assessment

During the past 5 years, the Armed Forces have reformed their structure and personnel from the bottom upward. Recently there have been clear indications that the reform has reached the key leading groups of various general departments. The personnel reshuffle has been completed rather smoothly.

Sources

Ta Kung Pao (Hong Kong), 12 June 85, p. 3, in FBIS-CHI-85-113, 12 June 85, W1.

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RECORD: 129

Objectives Subobjectives Indicators

MILITARY

demobilization

The Chinese government has been reducing its troops over the past several years. The reduction of one million serves as a continuation of the military reform policy. What is the basis for such a sizable cut in the Armed Forces? This question was clearly answered by CPC Central Committee General Secretary Hu Yaobang and Central Military Commission Chairman Deng Xiaoping during the plenary session of the commission's enlarged meeting on 4 June 1985. 1) The current international environment has been considered. The arms race between the two superpowers increases the chance of war, but this is more than offset by opposition to war throughout the world. Therefore, it is likely that large-scale world war will not break out for a relatively long time. 2) The decision is made in the light of China's central task, economic construction. The troop reduction of one million, is in line with the principle of concentrating the nation's efforts on economic construction. Once the civilian economy is

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modernized, national defense modernization will become easier.

Assessment China is a developing country, which needs a peaceful and stable international environment for its domestic economic construction. The decision to reduce the PLA by one million will produce a favorable response in the international arena. The current military reform is part of a series of reforms being carried out under the "four modernizations." The reduction of its Armed Forces not only will conserve large financial resources, but the demobilized personnel can also take part in economic modernization.

Sources Yang Fan. "State Affairs Forum", Radio Talk (Beijing), 26 June 85, in FBIS-CHI-85-126, 1 July 1985, p. K8.

Item Date 85//0/6/

RECORD: 128

Objectives MILITARY

Subobjectives leadership

Indicators Biographic information is provided on the following new high-ranking military officers:

1) Xiang Shouzhi retains his post as commander of the Nanjing Military Region. He started his military career in the 25th Army under the command of Xu Donghai, who was later a senior general. During the Long March, Xiang was a junior cadre in the 75th Division of the 25th Army. In the autumn of 1935, he arrived at the soviet are in northern Shanxi. In 1945, he was the commander of the 10th Regiment of the 1st Subregion in the Taihang Military Region. In 1948, he was the commander of the 26th Brigade in the 9th Column of the Shanxi-Hebei-Shandong-Henan Field Army and commander of the 44th Division of the 15th Army in the "2d Field Army." During the Korean war, he was a division commander. After the Korean war, he was gradually promoted to military region commander. 2) Zhou Keyu has been appointed permanent deputy director of the PLA General Political Department. Zhou Keyu, 50, is now a deputy to the Sixth NPC. He was the Political Commissar of the Jinan Military Region, director of the CPC All-Army Party Consolidation Office, and then assistant to the director of the PLA General Political Department. 3) Hu Huizi, 49, was formerly an army commander in the Shenyang Military

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Region. He is now permanent deputy chief-of-staff. 4) He Qizong, 44, was formerly a deputy army commander in the Kunming Military Region. He was decorated during the Sino-Vietnamese conflict and has been appointed PLA deputy chief of general staff. 5) Zhao Nanqi, 50, is the newly appointed deputy director and concurrently deputy political commissar of the PLA General Logistics Department. He is a native of Yanbian, Jilin, an area where people of Korean nationality live in compact communities. Since he was born and once worked in Yanbian, he is very familiar with the situation in the northeast and in the Sino-Korean-Soviet border area. Zhao was deputy secretary of the Jilin Provincial CPC Committee and concurrently first secretary of the Yanbian Korean Nationality Autonomous Prefecture, vice governor of Jilin Province, and then political commissar of Jilin Military District.

Assessment

The new appointees are younger professional military commanders and supporters of Deng Xiaoping's policy on military reform.

Sources

Ying Mei-chi. "New High-Ranking Military Officers of the Military Regions", Kuang Chiao Ching (Hong Kong), no. 154, 16 July 85, p. 17, in FBIS-CHI-85-113, 18 July 85, W1.

Item Date

85//0/7/

RECORD: 107

Objectives

MILITARY

Subobjectives

civil-military relations

Indicators

Civil-military relations in China are best characterized not in terms of the politics of confrontation between the two institutions, but as a process of coalition politics among factions within each that cut across institutional lines. One factor contributing to this porosity is the existence of a substantial numbers of the Chinese elite who have held high-ranking positions in both military and nonmilitary institutions. The second factor contributing to the porosity of boundaries between the military and the party is the membership of virtually all high-ranking Chinese military leaders in the CCP. Indeed, given the highly political role that has traditionally been accorded the army and, hence, the need for absolute loyalty to the party's wishes, it would be surprising if

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Assessment this overlap in memberships between party and army were not the case. In such a situation, it becomes impossible for the party to be overthrown by the military. Recently steps have been taken in China to separate the army from politics and reduce the number of party members in the army. Should these steps be carried further, party and army functions would become more sharply differentiated. The possibility that confrontation between the two institutions would replace coalition formation among factions within each will be enhanced. Because of the structural configuration, neither Deng Xiaoping nor any other Chinese leader is apt to be removed by an army takeover.

Sources Dreyer, June Teufel. "Civil-Military Relations in the People's Republic of China." Comparative Strategy (Washington), vol. 5, n. 1.

Item Date 85/00/00

RECORD: 110

Objectives MILITARY
Subobjectives modernization
Subobjectives professionalization
Indicators All-round reform is to be carried out in the People's Armed Police. This has been decided by the Chinese military authorities. 1) The structure of the troops should be reformed. It is necessary to step up the modernization of equipment and to develop and install more modern monitoring, warning, communications, and information systems. It is also necessary to train a large number of professional personnel who are able to master the modern equipment. 2) The ranks of police cadres should be built up. 3) Rules and regulations should be formulated. 4) The Armed Police Force should make contributions to the four modernizations.

Assessment China will build a modern and regular police force with Chinese characteristics.

Sources "Yang Dezhi Urges Reform in Armed Police Force." Hong Kong Ming Pao, 24 Jan 85, p. 5, in FBIS/China, 25 Jan 85, p. W2.

Item Date 85/01/24

RECORD: 108

Objectives MILITARY
Subobjectives industry

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Indicators	Chen Pin, Director of the National Defense Science, Technology and Industry Commission stressed that the defense industry must shift its main efforts to building up the national economy while ensuring the manufacture of military supplies to help meet the grand goal set by the 12th Party Congress. According to the statistics from only 15 provinces and cities, in 1984, more than 8,000 items of military technology valued at 430 million Rmb were transferred to civilian industry. According to Chen, China should take full advantage of advanced military equipment for the technological transformation of the civilian industries, such as petroleum, communications and transport, chemicals, electric power, coal, building materials, the light, textile and food industries and so on.
Assessment	This change will develop defense while it meets the needs of construction.
Sources	The Peking Informers (Hongkong), vol.XXXXX, no. 6, 16 March 1985, pp. 5-6.
Item Date	85/03/16

RECORD: 111

Objectives	MILITARY
Subobjectives	industries
Indicators	The Chinese military authorities have decided to carry out all-round reform in the People's Armed Police (PAP). Rules and regulations must be formulated and the forces must be reorganized and the ranks increased. Monitoring, warning, communications, and information systems equipment must be modernized and personnel must be trained to operate the new equipment, so that the PAP can contribute to the four modernizations.
Sources	China Daily (Beijing), 28 March 1985.
Item Date	85/03/28

RECORD: 109

Objectives	MILITARY
Subobjectives	modernization
Indicators	China's leadership initiated the military modernization program after the 3rd Plenary session of the 11th CCP Central Committee in December 1978. Every aspect of the Chinese military system, including doctrine, strategy, tactics, the officer corps, and technology has undergone thorough reform. China is pursuing a two-pronged approach of 1) improving

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current, in-stock "platforms," such as their T-59 tanks; and 2) considering the selected importation of Western military-related technology. China's current budgetary priorities rank military modernization as the fourth of the "Four Modernizations."

Assessment The CPLA must focus first on improving doctrine, strategy, and the officer corps before undertaking expensive improvements in equipment.

Sources Godwin, Paul. "China's Military Modernization." SAIS China Forum lecture, 5 April 1985.

Item Date 85/04/05

RECORD: 130

Objectives MILITARY

Subobjectives demobilization

Indicators Yang Shangkun, Vice Chairman of the Party Military Commission, stated on 5 July 1985, that China's Armed Forces will be at their lowest numbers ever after a cut of 1 million. The number of frontier guards and the troops in Fujian Province opposite Taiwan have been greatly reduced. Yang claims that these cuts reflect China's determination to preserve world peace. Domestically, the government is determined to concentrate its financial and material resources on economic construction. This decision is also in keeping with the need to modernize the Armed Forces. Staff cuts will mainly affect the General Staff, the General Political, and General Logistics Departments, the National Defense Science, Technology and Industry Commission and major military area commands, and their subordinate organizations. Outdated equipment will be phased out and a number of military installations closed. Efforts to form combined arms units made up of various services and arms will be stepped up. The average age of army level commanders is around 50, division level commanders around 40, and regimental level commanders around 30.

Assessment Chinese leaders indicated that, although they believe that the danger of war still exists, it is unlikely that a large-scale war will break out for a relatively long time. China needs a peaceful environment to concentrate its effort on economic construction and the four modernizations. This large reduction of personnel serves as a

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continuation of the military reform policy. Updating weapons and tactics and recruiting younger and better-educated military personnel will enable the Chinese to reduce the number of troops and still be well prepared for defense.

Sources Liu Huinian. "Yang Shangkun Discusses Cuts in PLA Forces." Xinhua (Beijing), 5 July 85, FBIS/China, 5 July 1985, p. K9.
Item Date 85/07/05

RECORD: 131

Objectives MILITARY
Subobjectives budget
Indicators Radio Beijing reported that China has reduced the ratio of defense spending in the total budget from 16.3 percent to 11.9 percent in 1985. The Government will spend \$360 million to resettle and reemploy the 1 million PLA personnel due to be demobilized.
Assessment The PLA budget cut is in line with Chinese policy on economic reform. China wants to conserve financial resources in order to concentrate on economic construction.
Sources Jane's Defence Weekly (London), Vol. 4, No. 2, 13 July 1985, p. 72.
Item Date 85/07/13

RECORD: 135

Objectives MILITARY
Subobjectives doctrine
Indicators China's military doctrine is adapting to modern conditions, but the PLA will remain under party control. Because China's military doctrine and tactics are now formulated more often by military professionals, it is clear that the PLA will have less interference from the party. Since the death of Mao, China has adopted the strategy of active defense, abandoning the notion of letting invaders in to "swallow them in a sea of people's war." The militia is playing a more important part in active defense. The PLA is emphasizing antitank training rather than infantry operations, and officers are expected to exhibit more operational flexibility. Under the new strategy, the three services have begun to place greater emphasis on mobility in war and adaptability to fluid battle conditions.

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Assessment China's doctrinal adaptations are an important foundation for its future defense and crucial to military modernization.

Sources Joffe, Ellis and Segal, Gerald. "The PLA Under Modern Conditions." Survival (London), Vol. XXVII, No. 4, July/August 1985, pp. 146-157.

Item Date 85/08/00

RECORD: 136

Objectives MILITARY

Subobjectives weapons and equipment

Indicators The PLA must operate within China's limited military budget, and special efforts are being made to emphasize cheaper, defensive technologies. Military industry has been freed for civilian production and produces profits which can be used for defense spending. China's foreign military sales, mainly to the Middle East, also produce revenue. Chinese leaders have made it clear that military modernization is not based on large-scale foreign purchases, but some selective purchases have been made to obtain access to superior foreign technology. China has purchased avionic equipment from Britain's Marconi Company; radar, navigation systems, communications equipment and helicopters from US firms; and helicopters and radar systems from France. In early 1985, negotiations were also underway for China's purchase of sophisticated naval warfare equipment from the United States. The Chinese have made use of existing weapons platforms such as tanks to which they have added improved guns, superior armor, infra-red night vision devices, stabilized turrets, laser range-finders and more powerful engines. In addition, selective use of high technology, especially in the form of increasingly available and inexpensive microcomputers, has allowed China to make rapid progress in critical areas.

Assessment Chinese leaders have decided that the PLA must live within the boundaries set by civilian budget planners, hoping that the expanding economy will eventually provide for expansion in the defense sector.

Sources Joffe, Ellis and Segal, Gerald. "The PLA Under Modern Conditions." Survival (London), Vol. XXVII, No. 4, July/August 1985, pp. 146-157.

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Item Date 85/08/00

RECORD: 148

Objectives	MILITARY
Subobjectives	reorganization
Indicators	Military power dominates inter-party struggles. Hu Yaopang has little or no influence in the army. In order to secure Hu's political future, it is necessary to get rid of some conservative, veteran cadres from the Army. In the reorganization of the military regions, the elimination of the Fuzhou Military Region is intended to give the impression of relaxed tensions in the Taiwan Strait; the abolishing of the Urumqi Military Region signifies an easing of tension on the Sino-Soviet border; and the elimination of the Kunming Military Region is a message to Vietnam that China will not use force against it.
Assessment	The elimination of Fuzhou, Urumqi, and Kunming Military Regions is intended to show that China wants a peaceful environment for economic construction. Deng hopes that the reduction of military influence in the party and the retirement of older, conservative military leaders will further secure the position of Hu Yaopang and other reformists.
Sources	Chen Li-sheng. "Current Situation of Mainland China." <u>Asian Outlook</u> (Taipei), Vol. 20, No. 8, August 1985, pp. 74-75.
Item Date	85/08/00

RECORD: 132

Objectives	MILITARY
Subobjectives	corruption
Indicators	"Unhealthy practices" have prevailed since the beginning of the PLA reorganization and streamlining drive. These practices include rush promotions, hasty recruitment of new party members, indiscriminate distribution of state funds and properties, and transferring the children and relatives of high-ranking military officers to new posts or arranging jobs for them. Violations of law and discipline have become extremely serious problems. On 13 August 1985, the Discipline Inspection Commission of the Party Military Commission convened a meeting of the responsible people of the PLA General Staff Department, General Logistics Department,

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Assessment

General Political Department, and the discipline inspection commissions of various major PLA units stationed in Beijing to examine the progress of discipline inspection. The meeting demanded that discipline inspection commissions at all levels strengthen inspection and supervision and ensure that the reorganization and streamlining of the PLA is carried out smoothly.

People with real abilities who work hard and have made achievements are left without prompt promotions because of the "unhealthy practices," while the sons and daughters of high-ranking officers are chosen for new positions merely by connections. Therefore, it is important for the discipline inspection commissions to establish a system to insure fair promotions for those who truly deserve them.

Sources

Ming Pao, 27 August 1985, p. 5. in
FBIS/China, 28 August 1985, pp. W1-2.

Item Date

85/08/27

RECORD: 134

Objectives

Subobjectives

Indicators

MILITARY

training and weaponry

Marshal Xu Xiangqian, 84, a founder of the Chinese Red Army, participated in the Long March (1934-35). He is now Vice Chairman of the Central Military Commission and one of only four surviving marshals of the People's Liberation Army (PLA). In a China Daily interview on the 40th anniversary of victory in the anti-Japanese war, he said that great efforts should be made to equip the Armed Forces with modern weapons and techniques. China's basic doctrine remains "people's war under modern conditions," improving its equipment mainly through self-reliance and importing only the most advanced equipment and technology to reach the goal of approaching the level of advanced countries in military equipment and technology within 15 years. The PLA also will improve training in combined warfare and NBC warfare. One of the purposes of the current demobilization of 1 million military personnel is to speed up modernization of national defense and lay a solid foundation for people's war. Xu also stressed that the militia will play an even

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Assessment

more important role in future wars as a strong auxiliary and reserve force. Scattered throughout the country in both urban and rural areas, militia units have developed from a single infantry force into a strong, unified force containing various special and technical units such as anti-aircraft, artillery, antichemical and scout corps.

Chinese military leaders indicated that "people's war" remains a "magic weapon" for future wars. China has made unremitting efforts to lay a solid national defense foundation both in manpower and materials to wage a "people's war" with improved equipment and technology as well as combined arms training. China demobilized 1 million military personnel in order to achieve its national goal of modernization, while simultaneously building up its local forces and militia. The total number of weapons in militia units is triple that of the whole PLA in the late 1940s. China is continuing to equip the militia with modern weaponry.

Sources

Liu Dizhong. "People's War Still a 'Magic Weapon' Against Invaders." China Daily (Beijing), Vol. 5, No. 1285, 5 September 1985, p. 1.

Item Date

85/09/05

RECORD: 147

Objectives

Subobjectives

Indicators

MILITARY

leadership

The PLA has reduced the number of military regions from 11 to 7, and the total number of leading cadres has been cut by 23.8 percent. PLA leaders are in their 60s, 50s and 40s and, except for a small number of Red Army veterans, most cadres joined the ranks during the anti-Japanese war or the civil war. The average age of newly appointed leading cadres of the three general departments and the National Defense Scientific and Technological Commission has been reduced by 10.6 years. Leading cadres at and above the military-region level are now required to have secondary-school-level education. Ninety percent of the leading groups in the seven military regions have studied in military colleges and school and 50.9 percent have a college education, while 80 percent of the

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leading cadres of the three general departments have a college education.

Assessment Deng Xiaoping decided to accomplish military modernization by restructuring and reorganizing China's Armed Forces and promoting younger, better-educated and well-trained top-level cadres.

Sources Zhang Chunting. "Making the Leading Squad of the Chinese Army Younger in Average age." Liaowang (Hong Kong), 7 October 1985, pp. 11-12, in FBIS/China, 6 December 1985, pp. K5-7.

Item Date 85/10/07

RECORD: 146

Objectives MILITARY

Subobjectives military exchange

Indicators PLA military exchanges with foreign countries are being promoted to aid military modernization. Since 1979, China has opened military attache offices in 43 countries, and military delegations from more than 50 nations have visited China. In 1985 Chief of General Staff Yang Dezhi visited Italy and Turkey; Minister of National Defense Zhang Aiping visited Pakistan, Portugal and Romania; Deputy Chief of General Staff (DCGS) Han Huaizhi visited four Latin American nations; and DCGS He Qizong visited two African countries. Commanders of the PLA Navy and Air Force also toured France, the United Kingdom and the United States, and two ships from the PLA Navy's East China Sea Fleet (a destroyer and a supply ship) visited Pakistan, Sri Lanka, and Bangladesh. The new National Defense University is expanding its academic exchanges with foreign countries by inviting foreign military leaders and specialists to give lectures and sending research fellows and students abroad on observation tours.

Assessment Increased military exchanges are in line with China's reform policies. The Chinese leadership believes that in order to modernize the PLA, they must learn modern science and technology and training and management methods from advanced countries.

Sources China Daily (Beijing), 31 December 1985, p.1.

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RECORD: 2

Objectives	PARTY
Subobjectives	democratization
Indicators	The proportion of CCP members in 6th National Committee, CPP-CC drops from 60% to 40% (5th National Committee). The CCP-CC decides that its members, members of the Central Advisory Commission, and the Central Commission for Discipline Inspection and CCP members in party or government leadership posts will not be eligible for election to the CPP-CC National Committee save for a few posts.
Sources	"Fewer Communists in CPPCC." Beijing Review, 9 May 83, pp. 5-6.
Item Date	83//0/5/

RECORD: 3

Objectives	PARTY
Subobjectives	legalization
Indicators	China has opted for the gradual development of a basic criminal and civil code. Laws governing operations of foreign firms in China are being promulgated. The current State Constitution (1982) places the CCP within the legal structure of the state (party cannot override all state laws and regulations).
Sources	Harry Harding. "The Transformation of China." Brookings Review (Washington, DC), vol. 2, no. 3 (spring 1984), pp. 3-7.
Item Date	84//0/0/

RECORD: 27

Objectives	PARTY
Subobjectives	professionalization
Subobjectives	bureaucratic efficiency
Indicators	At the provincial level, a 34 percent reduction in personnel has been made in CCP standing committees and among governors and vice governors. Those with tertiary academic qualifications have increased from 20 percent to 43 percent of all cadres. Forty-four percent of the cadres are newly promoted. Seventy-one percent of the newly appointed have a tertiary level education. Thirty-six percent of leadership posts in provincial offices and departments were abolished. Almost 1/2 the cadres are new to their jobs; of these 1/3 are 45 or younger, 2/3 have university degrees or equivalent.
Assessment	At the beginning of 1984 Beijing announced the reformation of the administrative

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structure of the party and government and that the replacement of some cadres had been completed at the provincial and regional levels. Statistics show some improvement in age and educational levels.

Sources "Reshaping the Administration." China News Analysis (Hong Kong), no. 1260, 7 May 84, pp. 1-10.

Item Date 84//0/0/

RECORD: 62

Objectives
Subobjectives
Indicators

PARTY
cadre management reform
Various levels of the party have made important advances in abolishing the personnel system of guaranteeing officials lifelong tenure--a breakthrough in promoting and demoting cadres on a large scale. It is still necessary to systematize the practice of having cadres ready to work both at the top and grassroots levels. Some cadres who have reached retirement age do offer their posts to younger cadres; others must be dismissed from office because they have violated the law or have committed other mistakes. It is important to settle how to deal with cadres whose work is not good, and are without learning or skills. There is a need to introduce the job responsibility system to cadres since all are equal before the system which will measure performance both qualitatively and quantitatively. It will promote or demote and mete out rewards or punishments in accordance with assessments.

Sources Zhu Yan. "Cadres Must Be Ready To Work Both at the Top and at the Grassroots." Hongqi (Beijing), in FBIS/China, 3 May 84, pp. K11-12.

Item Date 84//0/4/

RECORD: 77

Objectives
Subobjectives
Indicators

PARTY
cadre selection
The CCP-CC has called for changes in the selection and promotion of cadres. Promotion to leading posts will be geared to cadres who pioneer reforms. Stress will not be placed on practical experience and seniority at the expense of general and professional knowledge; personal relationships and the opinions of individual officials will not outweigh

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majority opinion or the skills needed at any moment. Efforts to eliminate "leftist" influence in personnel decisions and promote intellectuals must be continued. Promoting "...reformers to leading posts according to the principle of making cadres revolutionary, younger, better educated and more competent will rapidly improve the performance of an enterprise, a region or a department."

Sources "Party Calls for Promotion of Reform Pioneers." China Daily (New York), 5 May 84, p. 1.

Item Date 84//0/5/

RECORD: 81

Objectives PARTY
Subobjectives consolidation/rectification
Indicators The CCP Central Discipline Inspection Commission, following the discovery of serious irregularities, announced drastic shake-ups of the party leadership in Yuncheng Prefecture, Shanxi Province, and Longxi County, Fujian Province. Though local-level reorganization of personnel under the party's consolidation drive was not scheduled to begin until the end of 1984, the commission decided to begin immediate disciplinary action because of flagrant disregard of Party directives and violations of law in the two abovementioned jurisdictions. Offending party cadres were punished for their abuses of power, resulting in reshuffling party leadership.

Assessment Investigators discovered the head and members of prefectural party organization departments, a section head of a united front work department, and a first secretary of a county party committee were among the abusers of power. These abuses probably motivated moving up by 6 months further consolidation and rectification efforts by the party.

Sources "Party Cadres Punished for Abuse of Power." China Daily (Beijing), 12 May 84, p. 1.

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RECORD: 8

Objectives PARTY
Subobjectives cadre selection
Indicators A leading member, CCP-CC Organization Department says personnel departments at all levels should, as quickly as possible, select and place in leading posts a large number of

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reformers who can create a new situation in work to make the best use of talented people. Cadre selection and promotion is of primary importance to the modernization effort and is a matter of picking the best among the intellectuals.

Assessment

Resistance to and difficulties in reforms are encountered due to lingering "Left" influence from the Cultural Revolution. For optimum results it is important not to stress practical experience and seniority over scientific and theoretical knowledge, personal relationships and sentiments over the needs of work and the revolution, and the opinions of individual officials to the neglect of the opinions of the majority.

Sources

"Reformers Placed in Leading Posts." Beijing Review, 4 Jun 84, p. 7.

Item Date

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RECORD: 14

Objectives

PARTY

Subobjectives

rejuvenation of bureaucratic apparatus

Indicators

The CCP-CC delegates authority for 2/3 of the duties of senior personnel to lower-level committees. Lower-level authorities will now have greater power in appointing and promoting officials.

Assessment

Another phase in the 3-stage Party reorganization effort begun in 1982. This move will help to remove aged and inefficient cadres and advance the effort to promote younger, more talented people in the bureaucracy.

Sources

"China to Assign Powers To Lower Levels in Party." New York Times, 21 Jul 84, p. A6.

Item Date

84//0/7/

RECORD: 16

Objectives

PARTY

Subobjectives

consolidation/rectification

Indicators

A CCP Central Party Consolidation Guidance Commission circular outlines the main tasks of the third stage in party consolidation. This stage will last about 3 months and require party organizations to improve party work (based on what members have learned in the first two stages). Leaders of party committees should try to eliminate the influence of "left" ideology and conservatism since no faction in the Cultural Revolution was

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Assessment

correct. A thorough investigation of the major bureaucratic cases that seriously impede progress and cause heavy losses to the state due to poor management, must be instituted. All party organizations should move to solve major problems in their leading organs. Warnings on problems in leading organs--that they remain under the control of people corrupted during the Cultural Revolution (and need to be swiftly reorganized), that leading party cadres may take action without awaiting instruction from higher authorities on certain matters concerning their own administration, that in-depth education in getting rid of factionalism in politics, ideology and organization still needs to be done, and bureaucrats responsible for losses due to dereliction of duty and refusal to mend their ways need be removed, abuses of power for personal gain investigated, dealt with and disciplined, all point to lack of progress in Party rectification and consolidation. See Record 76.

Sources

"Third Stage of Party Rectification Outlined." China Daily (Beijing), 4 Jul 84, p. 1.

Item Date

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RECORD: 49

Objectives

PARTY

Subobjectives

cadre management reform

Subobjectives

decentralization

Indicators

The CCP-CC Secretariat decided to reform the cadre management system and delegate the power of cadre management to lower levels. A new system, with each administrative level responsible for managing its cadres will be adopted. This will reduce the scope of cadre management by the central authorities and in principle, central authorities will supervise only principal leading cadres of the next lower level. The number of cadres under central authorities' supervision will be reduced by 2/3 after the new cadre management system is instituted--and will decentralize cadre management.

Assessment

See Record 63.

Sources

Beijing Xinhua Domestic Service. "Further on Reform of Cadre Management System." in FBIS/China, 25 Jul 84, p. K1.

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RECORD: 63

Objectives	PARTY
Subobjectives	cadre management reform
Indicators	The cadre management system will be reformed by letting each level exercise management, assume responsibility, and delegate appropriate cadre management power to lower levels. In principle, the central authorities will manage only principal cadres at the next lower level. This upholds the principle of 'cadre management by the party' and will allow for opening up the ranks for selecting and promoting mature and competent personnel needed in the modernization program.
Assessment	See Record 49.
Sources	"Resolutely and Appropriately Transfer Limits of Authority Over Cadre Management to Lower Levels." Renmin Ribao (Beijing), in FBIS/China, 23 Jul 84, pp. K1-5.
Item Date	84//0/7/

RECORD: 33

Objectives	PARTY
Subobjectives	decentralization
Indicators	The CCP-CC Secretariat decided to decentralize personnel management effective 1 Aug 84. Under the new system cadres under the direct management of the CCP-CC will be mainly senior officials of the level of vice minister of government ministries and provincial vice governors and above, and leading cadres of big and influential enterprises, institutions of scientific research and major institutions of higher education. The next lower level of cadres, formerly managed by the central organizational department will be managed by the ministries, provinces, regions, municipalities and other institutions of the same level. The changes will cut the number of cadres managed directly by the CCP-CC by 2/3 and allow personnel work to be improved and the system to be made more flexible. Decentralization will also remove the obstacles in the way of promoting capable young cadres and will expedite building a younger, more competent, and expert body of revolutionary cadres. It will also provide an organizational guarantee for economic reform and growth.
Sources	"Major Step to Change Personnel Management." China Daily (Beijing), 22 Jul 84, p. 1.
Item Date	84//0/8/

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RECORD: 57

Objectives	PARTY
Subobjectives	rejuvenation of bureaucratic apparatus
Subobjectives	recruitment
Indicators	To assure continued growth in party membership, it is necessary to recruit females, minority nationalities and intellectuals, and to eliminate "leftist ideology." It is also important to rectify the problem of the "excessively low proportion of party members under 25 years of age." Responsible comrades of many party organizations are too busy with routine work and often unconcerned about demands for progressive young people to join the party. Four kinds of mentality hamper these responsible persons from attaching importance to this question: they do not understand it is a major issue related to party life; they often set excessive demands on advanced young people and then say they do not meet criteria for party membership; they assign excessively heavy tasks to young party members, and they often fail to attach importance to leadership over the work of the Communist Youth League (CYL) or to first recruit party members from among outstanding CYL members. Very few CYL members are members of the CCP and in some areas very few CYL branch secretaries are even CCP members.
Assessment	The percentage of party members under 25 years of age fell from 26.6% in 1950 to 3.34% in 1983. The increase in recruiting of young party members is viewed as a long-term task--necessary to continually replenish the party with new blood.
Sources	Renmin Ribao (Beijing), 27 Aug 84, in FBIS/China, 27 Aug 84, pp. K1-3.
Item Date	84//0/8/

RECORD: 42

Objectives	PARTY
Subobjectives	consolidation/rectification
Indicators	In late 1982 the CCP announced its intention to reevaluate the qualifications of and reregister all CCP members to root out leftist and corrupt elements. A crackdown on crime ensued with hundreds of offenders executed and thousands more prosecuted and imprisoned. In Oct 83 senior CCP leaders announced the campaign to combat "spiritual pollution." When overzealous lower-level officials and

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professional CCP puritans took over, Hu Yaobang denounced the campaign and shifted the focus to stamping out pornography and other corrupting influences, assuring a modicum of ideological orthodoxy in cultural and artistic circles.

Assessment The conduct of the campaign and ideological issues involved posed the first major threat to Hu Yaobang's leadership. It is rumored that Hu and Zhao Ziyang defeated the attempt by "ideological and propaganda watchdogs" to undermine continued liberalization and that Deng sided with them against his long-term colleagues.

Sources Christopher M. Clarke. "China's Reform Program." Current History (Philadelphia), Sep 84, pp. 254-256, 273.

Item Date 84//0/9/

RECORD: 64

Objectives PARTY

Subobjectives cadre management reform

Indicators The party should adopt a relaxed attitude toward promoting to leading posts at various levels young people who are politically reliable, innovative, educated, have a pioneering spirit, and are bold in carrying out reforms. This is in accordance with the requirements of the "4 transformations" of cadres.

Assessment Notes that "at present there is no trend of opposing the reforms inside the party. . . [though] it is understandable that some comrades fall behind in grasping new things."

Sources "Boldly Select and Use Capable People Who Dare To Carry Out Reforms and Make Innovations." Renmin Ribao (Beijing), in FBIS/China, 19 Sep 84, pp. K8-10.

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RECORD: 76

Objectives PARTY

Subobjectives consolidation/rectification

Indicators CCP Central Commission for Guiding Party Rectification Circular No. 10 states that all units engaged in party rectification, after basically fulfilling the tasks for the rectification and correction phase, may immediately enter the next phase and reregister party members. The second phase will involve the reassessment of members in

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party organizations from the top of the government to grass-roots levels. Over the next 2 years, all 40 million party members will face reselection and reregistration in the party. The first stage involved study of the CCP-CC's 1983 decision to carry out consolidation and a period of criticism and self-criticism by members. Central and local forces and the Armed Forces will be involved in this first stage; the second stage will include all members. A party member's performance since the 3d Plenary Session of the 11th CCP CC in 1978 will be important in the reassessment. Members will be shown written assessments of themselves and must be able to defend themselves. They can use witnesses, appeal to superior party organizations, or reserve their disagreements. Those deemed unsuitable can be given time in which to study, reform, and repent. Those who have made grave errors and refuse to repent despite education and help should be dealt with severely.

Assessment
Sources

See Records 16, 82, 89.

Beijing Xinhua. "Party Rectification Shifting into 'Second Phase.'" in FBIS/China, 26 Nov 84, pp. K1-3. "All Party Members Will Face Re-registration." China Daily (Beijing), 27 Nov 84, p. 1.

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Objectives
Subobjectives
Indicators

PARTY

consolidation/rectification

According to a Hongqi (Beijing) commentary, the first phase of party rectification has progressed smoothly and successfully. Since Jan 83, bureaucrats who have caused losses to the state, and party members who have abused their positions for personal gain have been punished. There have been efforts to remove "leftists" from leading positions and to seek out party members who prospered due to loyalty to the "Gang of Four." Middle-aged and young officials who are competent and devoted to modernization have been promoted. Democracy in the party has been increased and rectification has settled some ideological differences. State ministries and headquarters of different provinces, autonomous regions, municipalities, and the army, are the leading bodies of the

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1st phase of party rectification; they shoulder the main tasks of the party and their success is important.

Assessment Notes long-held leftist influences remain and many officials still have outdated views. "The few party members who have not seen the merits of the current policies and reforms have been given the freedom to express their own opinions. However, different party organizations have progressed at a different pace and the rectification has been unbalanced. Organizations scheduled for the 2d phase of the party's rectification in the years to come can be expected to produce better results with careful planning and conscientious guidance." See Records 16, 76, 89.

Sources "Progress in Party Rectification." China Daily (Beijing), 8 Nov 84, p. 4.

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RECORD: 89

Objectives PARTY

Subobjectives consolidation/rectification

Indicators According to a 22 Nov 84 circular released by the CCP-CC, all 40 million CCP members must reapply to the party over the next 2 years as part of a move to discipline or remove members who have committed crimes, indulged in corruption, or made grave ideological errors. This reapplication requirement is part of a party consolidation drive that began in 1983 at the central level, and is aimed at achieving ideological unity, rectifying the party's work style, strengthening discipline, and purifying the party's organization, as well as removing "leftist" influences. Consolidation is aimed at middle-level party groups and will focus on grassroots organizations next year. Re-registration "will be completed generally within a month or so," though the exact time of each phase was not specified. Those found unsuitable for party membership will be given time in which to study and mend their ways; those who have made grave errors and refuse to reform will be expelled. If crimes are exposed during reassessment, the guilty party member could be jailed. A Party member's performance since the 3d plenary session of the 11th CCP CC in 1978 will have important bearing in the

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Assessment	reassessment. Members must be shown written assessments of themselves and be able to defend themselves--using witnesses and appeals to superior party organizations, or stand by their disagreements.
Sources	Although it is too early to tell how many unqualified members will be punished or removed from the party, certain figures have been published. Tianjin Ribao reports 279 party members in Tianjin were subject to disciplinary penalties and 85 stripped of their party membership. In Datong, Shanxi Province, 217 party officials were found to have been involved in crimes; 26 are now in custody, and 9 have been charged. See Records 76, 82.
Item Date	"Party Members Must Re-register." Beijing Review, no. 51, 17 Dec 84, p. 6. 84//1/1/

RECORD: 98

Objectives	PARTY
Subobjectives	treatment of intellectuals
Indicators	Renmin Ribao (Beijing) reports the Organization Department, CCP CC urged party organizations to admit more intellectuals, particularly middle-aged and young intellectuals. The admission of large numbers of natural and social scientists to the party will guarantee strong leadership in the current modernization drive. In peacetime, those who work for the interests of the people, for the growth of productivity, and for the cause of socialist construction, are qualified candidates for party membership. Deeds should be the first priority in judging intellectuals' applications.
Assessment	Reports that since the Dec 78 3d Plenum, 11th CCP CC, the number and quality of intellectuals in the party have improved, though in many places intellectuals still have difficulty gaining admission to the party since many party members and leaders still have "leftist" ways of thought. Intellectuals are discriminated against on the basis of family background, social relations, personal experience or personalities. Some worry that having too many intellectuals will change the nature of the party while others oppose intellectuals because of their own selfishness or jealousy, or because of factionalism. Those

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who hinder admission of intellectuals for selfish reasons should be criticized, and in serious cases, punished.

Sources

"Party Branches Urged to Admit More Intellectuals." China Daily (Beijing), 22 Nov 84, p. 1.

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Objectives

Subobjectives

Indicators

PARTY

treatment of intellectuals

Renmin Ribao (Beijing) reports the CCP Central Committee "has urged party organizations across the country to admit more intellectuals." This is both an ideological shift and a practical move. Party cadres in factories and towns supervise the implementation of market-oriented reforms and the infusion of technology. It is assumed that educated people are more likely to promote than resist changes. Intellectuals have a material interest in improving relations with the CCP since the perks accompanying a party card are desirable considering the generally poor pay scale of intellectuals.

Assessment

Intellectuals, who are defined as college graduates, presently constitute only 4% of the CCP; of the 22 million rural CCP members, nearly 70% have only a primary education.

This policy reversal (the CCP has been persecuting intellectuals for 3 decades) has met with resistance from the rank and file who both hold the intelligentsia in contempt and fear they may lose power to the new recruits. Local party bosses view enthusiasm for intellectuals as a threat to their power--and are holding out. Accounts in local newspapers report that in a Xi'an hospital, nearly 100 medical professionals are still barred from political activities and in Changsha, an economist who criticized his factory's procedures was sent to a hospital as a schizophrenic.

Sources

"The Party Wants Brains." The Economist (London), 15 Dec 84, p. 36.

Item Date

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RECORD: 105

Objectives

Subobjectives

PARTY

leadership

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Indicators	On 22 September 1985, the Chinese Communist Party named 91 new members to its Central Committee--an important political victory for the Deng group. At the meeting, 64 elderly members of the Central Committee submitted their resignations and 56 officials were appointed to full membership. The new members appear to owe their position to the reformist group and its policies. The Central Committee now has 210 members and 133 alternate members. The average age of those promoted to the Central Committee is 50.1 and 76 percent of them have some college education. The previous membership of the Central Committee averaged over 60 years old. Twenty-two governors and provincial party secretaries, and 14 government ministers appointed during the past 6 months, make up the largest block of persons promoted to the Central Committee.
Assessment	The newly appointed Central Committee members are younger and better educated and fewer have military backgrounds, pointing to a further depoliticizing of the military. More than 20 senior military officers resigned from full membership in the Central Committee, but only 11 new appointees hold military positions. Deng appears to be succeeding in depoliticizing China's military.
Sources	Southerland, Daniel. "China Replaces 91 in Party Committee." <u>Washington Post</u> (Washington, DC), 23 September 1985, p. A17.
Item Date	85/09/23

RECORD: 104

Objectives	PARTY
Subobjectives	leadership
Indicators	On 25 September 1985, the Chinese Communist Party appointed six new reform-minded members to the Politburo (none of them military) and five Deng Reformists to the 11-member Secretariat. These appointments reflect the increased influence of Deng Xiaoping and Hu Yaobang and make it more likely that the economic reforms will last. Of the newly-selected Politburo members the most prominent are Hu Qili, 56, and Li Peng, 57, considered likely to assume the positions of party general secretary and premier, respectively when General Secretary Hu Yaobang and Premier Zhao Ziyang step down. Hu Qili, an advocate of China's market-oriented reforms

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and open-door policy, has been serving as permanent secretary of the Secretariat. Vice Premier Li Peng is a Soviet-trained electrical engineer and energy expert. Three other new Politburo members have been closely associated with the Deng-Hu reforms: Vice Premier Tian Jijun, 56, a financial expert; Qiao Shi, 61, former head of the party's organization department; and Wu Xueqian, 64, Foreign Minister and Hu Yaobang's former associate in the Communist Youth League. The youngest official with a major promotion was Wang Zhaoguo, a 44-year-old automotive engineer and head of the party Central Committee's general office, who was named to the Secretariat. The fact that Deng and his associates filled only 6 of the 10 Politburo vacancies on the Standing Committee opened up by retirements and failed to replace Ye Jianying might reflect disagreement over several potential replacements who were not selected for the Politburo.

Assessment

Deng Xiaoping in recent years has aimed at moving the military out of politics and the latest changes show another major step in this direction. The previous 24-member Politburo included nine aging military men, six of these retired. The newly constituted 20-member Politburo has only three military members: Yang Shangkun, Vice Chairman of the Party Military Commission; Yang Dezhi, Armed Forces Chief of the General Staff, and Yu Qiuli, Director of the PLA General Political Department.

Sources

Southerland, Daniel. "Climaxing Key Shifts, China Names Six to Ruling Politburo." Washington Post (Washington, D.C.), 25 September 1985. pp. A25, A29.

Item Date

85/09/25

RECORD: 144

Objectives Subobjectives Indicators

PARTY
fractions
Politburo Standing Committee member and conservative faction leader Chen Yun, delivered a speech critical of Deng's reform policies at the closing ceremony of the conference of party delegates on 23 September 1985. He argued that China, as a Communist country, must have a planned socialist economy as its principal economic model. He claimed

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that industry and agriculture have been developing too fast and that some party members have sought personal gain and neglected ideology. He also called for China to refrain from the practice of one-person rule and to undergo full discussion of rule by collective. These criticisms are regarded as challenges to Deng Xiaoping and his reformist faction.

Assessment

Deng Xiaoping and Chen Yun both belong to the first generation of CCP leaders still in power. Despite the fact that the conservatives' position has been weakened in the Political Bureau and the Standing Committee in the current rejuvenation campaign, Chen Yun persists in a strong ideological line and refuses to resign as long as Deng remains in the CCP Political Bureau Standing Committee. Chen recommended that no new members be elected to the Standing Committee. Therefore Deng added new reform-minded members to the Political Bureau, the Secretariat, and the CCP Central Committee to achieve his reform objectives.

Sources

Mu Fu,. "Confrontation Between Two Factions at the September Conference of Party Delegates." Cheng Ming (Hong Kong), No. 96, 1 October 1985, pp. 11-13.

Item Date

85/10/01

RECORD: 145

Objectives Subobjectives Indicators

PARTY
leadership
China's reform policies continue on course with a fourth of Central Committee, a third of the Political Bureau, and almost half of the Secretariat members replaced at the CCP National Conference held in September 1985. Most of the newly elected members are younger and professionally experienced. They intend to improve the socialist system through reform policies. Therefore, party cadres who came up during the Cultural Revolution are excluded from promotion. Deng also has succeeded in reducing the military influence in the CCP through the resignation from the Political Bureau of six important military figures: Marshals Ye Jianying, Xu Xiangqian, and Nie Rongzhen, former Air Force Commander Zhang Tingfa, former Shenyang Military Region

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Assessment	Commander Li Desheng and Deng's close associate, Wang Zhen. The fact that most newly promoted younger members suffered during the Cultural Revolution indicates that the Chinese leadership is determined to maintain a stable society in order to develop the economy. Because the military is generally more conservative and less reform-minded than the newly appointed young members, the loss of the military's influence favors economic reform.
Sources	Weil, Martin. "China's Party Conference", <u>The China Business Review</u> (Washington, DC), November-December 1985, pp. 8-11.
Item Date	85/11/00